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DOE/MA-0064/4
Volume 5 of 7

Congressional Budget Request

Power Marketing Administrations
Departmental Administration

Volume 5

U. S. [illegible]
DEPOSITORY 328

FY 1987

U.S. Department of Energy
Assistant Secretary,
Management and Administration
Office of the Controller

February 1986

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DOE/MA-0064/4
Volume 5 of 7

Congressional Budget Request

Power Marketing Administrations
Departmental Administration

Volume 5

FY 1987

U.S. Department of Energy
Assistant Secretary,
Management and Administration
Office of the Controller
Washington, D.C. 20585
February 1986

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DEPARTMENT OF ENERGY
FISCAL YEAR 1987 CONGRESSIONAL BUDGET REQUEST
POWER MARKETING ADMINISTRATIONS
DEPARTMENTAL ADMINISTRATION
VOLUME 5
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Departmental Administration 257

DEPARTMENT OF ENERGY

FISCAL YEAR 1987 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF ESTIMATES BY APPROPRIATIONS

(in thousands of dollars)

	FY 1985 Actual BA	FY 1986 Estimate BA	FY 1987 Request BA
Appropriations Before The Energy and Water Development Subcommittees:			
Energy Supply Research and Development	1,967,490	1,696,298	1,254,162
Uranium Enrichment	237,956	190,512	---
General Science and Research	724,860	655,928	773,400
Atomic Energy Defense Activities ..	7,322,321	7,231,664	8,230,000
Departmental Administration	128,602	150,319	151,082
Alaska Power Administration	3,233	3,245	2,881
Bonneville Power Administration ...	284,771	330,000	276,100
Southeastern Power Administration .	35,744	---	19,647
Southwestern Power Administration .	31,208	29,191	25,337
Western Area Power Administration .	218,230	195,910	240,309
Western Area Power Emergency Fund .	---	---	---
Federal Energy Regulatory Commission	54,543	41,989	20,325
Nuclear Waste Fund	327,669	499,037	769,349
Geothermal Resources Development Fund	121	69	72
Subtotal, Appropriations Before the Energy and Water Development Subcommittees	$11,336,748	$11,024,162	$11,762,664

DEPARTMENT OF ENERGY

FISCAL YEAR 1987 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF ESTIMATES BY APPROPRIATIONS

(in thousands of dollars)

	FY 1985 Actual BA	FY 1986 Estimate BA	FY 1987 Request BA
Appropriations Before Interior and Related Agencies Subcommittees:			
Alternative Fuels Production	$ 1,169,895	$ ---	$ ---
Clean Coal Technology	---	---	---
Fossil Energy Research and Development	289,048	311,954	82,767
Naval Petroleum and Oil Shale Reserves	156,874	13,002	127,108
Energy Conservation	457,436	427,512	39,433
Energy Regulation	27,139	23,423	21,850
Emergency Preparedness	6,045	5,750	6,044
Strategic Petroleum Reserve	2,049,550	107,533	---
Energy Information Activities	60,919	57,724	59,651
Subtotal, Interior and Related Agencies Subcommittees	4,216,906	946,898	336,853
Subtotal, Energy and Water Development Subcommittees	11,336,748	11,024,162	11,762,664
Subtotal, Department of Energy	15,553,654	11,971,060	12,099,517
Permanent - Indefinite Appropriations:			
Payments to States	1,052	570	570
Total, Department of Energy	$15,554,706	$11,971,630	$12,100,087

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL STAFFING REQUEST
TOTAL WORK FORCE

	FY1985 FTE USAGE	FY1986 CONGR REQ	FY1987 -FY86	FY1987 CONGR REQ
ENERGY & WATER SUBCOMMITTEE				
HEADQUARTERS	4,865	4,965	-18	4,947
FIELD	9,133	9,185	111	9,296
SUBCOMMITTEE TOTAL	13,998	14,150	93	14,243
INTERIOR SUBCOMMITTEE				
HEADQUARTERS	1,353	1,304	-166	1,138
FIELD	907	896	-226	670
SUBCOMMITTEE TOTAL	2,260	2,200	-392	1,808
GRAND TOTAL	16,258	16,350	-299	16,051
ADJUSTMENT		-132	-198	-330
ADJUSTED TOTAL	16,258	16,218	-497	15,721

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL STAFFING REQUEST
TOTAL WORK FORCE

	FY1985 FTE USAGE	FY1986 CONGR REQ	FY1987 -FY86	FY1987 CONGR REQ
10:ENERGY SUPPLY RESEARCH AND DEV	937	934	-34	900
HEADQUARTERS	811	820	-28	792
FIELD	126	114	-6	108
15:URANIUM ENRICHMENT	69	66	1	67
HEADQUARTERS	58	55	1	56
FIELD	11	11	0	11
20:GENERAL SCIENCE AND RESEARCH	37	39	0	39
HEADQUARTERS	37	39	0	39
25:ATOMIC ENERGY DEFENSE ACTIVITI	2,618	2,702	131	2,833
HEADQUARTERS	496	518	9	527
FIELD	2,122	2,184	122	2,306
30:DEPARTMENTAL ADMINISTRATION	3,307	3,332	-5	3,327
HEADQUARTERS	1,721	1,726	0	1,726
FIELD	1,586	1,606	-5	1,601
34:ALASKA POWER ADMINISTRATION	37	38	0	38
FIELD	37	38	0	38
36:BONNEVILLE POWER ADMIN	3,510	3,480	0	3,480
FIELD	3,510	3,480	0	3,480
38:SOUTHEASTERN POWER ADMIN	38	40	0	40
FIELD	38	40	0	40
42:SOUTHWESTERN POWER ADMIN	186	186	0	186
FIELD	186	186	0	186
46:WESTERN AREA POWER ADMIN	1,181	1,160	0	1,160
FIELD	1,181	1,160	0	1,160
50:WAPA - COLORADO RIVER BASIN	219	219	0	219
FIELD	219	219	0	219
52:FEDERAL ENERGY REGULATORY COMM	1,617	1,659	0	1,659
HEADQUARTERS	1,617	1,659	0	1,659
54:NUCLEAR WASTE FUND	238	292	0	292
HEADQUARTERS	123	147	0	147
FIELD	115	145	0	145
56:GEOTHERMAL RESOURCES DEV FUND	2	1	0	1
HEADQUARTERS	2	1	0	1
65:FOSSIL ENERGY RESEARCH AND DEV	714	700	-161	539
HEADQUARTERS	151	135	-26	109
FIELD	563	565	-135	430
70:NAVAL PETROL & OIL SHALE RES	104	104	-9	95
HEADQUARTERS	23	23	0	23
FIELD	81	81	-9	72
75:ENERGY CONSERVATION	333	352	-134	218
HEADQUARTERS	208	227	-79	148
FIELD	125	125	-55	70
80:EMERGENCY PREPAREDNESS	74	71	0	71
HEADQUARTERS	74	71	0	71
81:ECONOMIC REGULATION	377	340	-50	290
HEADQUARTERS	377	340	-50	290
85:STRATEGIC PETROLEUM RESERVE	178	152	-32	120
HEADQUARTERS	40	27	-5	22
FIELD	138	125	-27	98
90:ENERGY INFORMATION ACTIVITIES	480	481	-6	475
HEADQUARTERS	480	481	-6	475
94:ADVANCES FOR CO-OP WORK	2	2	0	2
FIELD	2	2	0	2
GRAND TOTAL	16,258	16,350	-299	16,051
ADJUSTMENT		-132	-198	-330
ADJUSTED TOTAL	16,258	16,218	-497	15,721

Power Marketing
Administrations

DEPARTMENT OF ENERGY

FISCAL YEAR 1987 CONGRESSIONAL BUDGET REQUEST

POWER MARKETING ADMINISTRATIONS

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DEPARTMENT OF ENERGY

FISCAL YEAR 1987 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF ESTIMATES BY APPROPRIATION BY MAJOR ACTIVITY

POWER MARKETING ADMINISTRATIONS

BUDGET AUTHORITY IN THOUSANDS OF DOLLARS

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Request
Alaska	$ 3,233	$ 3,245	$ 2,881
Bonneville	284,771	330,000	276,100
Southeastern	35,744	---	19,647
Southwestern	31,208	29,191	25,337
Western	218,230	195,910	240,309
Western Emergency Fund	---	---	---
Total, Power Marketing Administrations	$573,186	$558,346	$564,274

Alaska

DEPARTMENT OF ENERGY

FISCAL YEAR 1987 CONGRESSIONAL BUDGET REQUEST

POWER MARKETING ADMINISTRATIONS

ALASKA POWER ADMINISTRATION

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DEPARTMENT OF ENERGY

Proposed Appropriation Language

Operation and Maintenance, Alaska Power Administration

For [engineering and economic investigations to promote the development and utilization of the water, power, and related resources of Alaska, and for] necessary expenses of operation and maintenance of projects in Alaska and of marketing electric power and energy, [$3,281,000] $2,881,000, to remain available until expended. (Public Law 99-141, making appropriations for energ and water development, 1986.)

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW

POWER MARKETING - ALASKA POWER ADMINISTRATION

The Alaska Power Administration is responsible for operation, maintenance and marketing of power for Alaska's two Federal hydroelectric projects -- the 30,000-kW Eklutna Project near Anchorage and the 47,160-kW Snettisham Project near Juneau. Operation and maintenance is accomplished in a manner that: insures integrity of the Federal investment; maximizes reliability of service; maximizes energy production; and minimizes long-term costs. Power is marketed to achieve the most widespread use at lowest possible rates consistent with sound business principles and repayment requirements. Public benefits from other uses of project lands and facilities include visitations, recreation, fisheries development, and municipal water supply.

The request assumes work will continue towards transfer of the APA projects to non-Federal ownership, but that Federal funding for the APA programs will need to be continued up to the time of the actual transfer. It is now expected that the transfer will not occur before FY 1989.

Although funds are included in the budget for operating the power marketing administrations in 1987, the Administration will actively seek to privatize these utility systems. Utilities are not normally a Federal responsibility, and non-Federal owners can operate the PMA's as efficiently, or more efficiently, than the Federal government.

The Administration will pursue privatization through an open process. It will be guided by the following principles: (1) seek a fair return to the Federal taxpayers from the privatization of these assets, (2) recognize the benefits currently enjoyed by existing customers, and (3) recognize and provide appropriate protections for the personnel benefits of Federal employees.

Before implementation of privatization, the Administration will seek the views of, and promote interest among, concerned groups and individuals, including Congressional delegations, State and local officials, current customers, the financial community, and public power and private sector energy interests.

It is expected that the Power Administration will be sold with all the PMA's being transferred from Federal control by FY 1991. In the interim, the FY 1987 budget proposes to modify PMA capital investment repayment practices legislatively, consistent with sound business principles, to protect the interests of the Nation's taxpayers. These modifications require repayment of the unpaid balance of the original federal investment at a level not less than would be required under a fixed, straight-line amortization schedule for each power investment financed by appropriations and placed in service. This requirement would not apply to irrigation investments. Repayments of principal, if necessary, can be deferred, subject to the same terms and conditions applicable to deferred interest payments (e.g., current interest rates are used because the deferral helps finance current operations). The impact of this repayment proposal is relatively modest compared to those proposals made last year in the 1986 budget.

FY 1985 and FY 1986 accomplishments include:

- Continue satisfactory progress on normal operation and maintenance activities for the Eklutna and Snettisham hydroelectric projects.
- Continue full utilization of energy and power capability at the Eklutna Project; continue full utilization of Snettisham Project firm energy.
- Marketed 309 million kilowatt hours in FY 1985 with gross revenues of $6,866,000; estimated FY 1986 amounts are 336 million kilowatt hours and $7,732,000.

- Complete major maintenance and replacement items in FY 1985.
    - Complete engineering and design and contract for purchase and installation of equipment for automating the Eklutna powerplant. Actual installation begins in FY 1986 and system will be complete and fully operational by the end of FY 1987.
    - Complete design to remove Eklutna Project transmission line from the Knik River Bridge. Relocation deferred pending action by State Highway Department.
    - Purchase wicket gate bushings for Eklutna Project.
    - Purchase VHF radio and cartridge filters for Snettisham Project.
    - Complete removal of Salisbury Ridge line (old Snettisham transmission line). The aluminum structures were salvaged in FY 1984. About 96 wood poles and associated hardware remain and will be removed in FY 1985 and FY 1986.
- Complete major maintenance and replacement items in FY 1986.
    - Complete change in delivery point from Eklutna Project's Anchorage Substation to Eklutna Powerplant.
    - Initiate procurement of replacement turbine runner and peripheral equipment for Eklutna Project.
    - Replace and dispose of transformers containing PCB oil at the Eklutna Project.
    - Complete cleanup of Salisbury Ridge line.
    - Inspect Eklutna tailrace to determine extent of deterioration and sluffing of retaining wall and repairs required.
    - Purchase equipment and vehicle replacements for Snettisham Project: zinc-oxide arresters, snowblower attachment, portable hydraulic winch, and tracked vehicle.
- Continue cooperation with the Corps of Engineers toward early completion of the Crater Lake unit of Snettisham Project, with power on line now expected in early FY 1989.
- Continue annual summer maintenance and inspection program on Snettisham transmission line.
- Continue cooperation with State of Alaska on State salmon hatchery at Snettisham Project; with Cook Inlet Aquaculture Association toward development of a similar facility at Eklutna; and with Municipality of Anchorage on its Eklutna Water Supply Project.

Specific objectives for FY 1987 include:

- Work will continue on developing a proposal for an orderly transfer of Alaska Power Administration facilities to non-Federal ownership.
- After completion of the Eklutna automation project, develop contract for utility operation by supervisory control similar to present operations contract at Snettisham.
- Market an estimated 338 million kilowatt hours in FY 1987 with gross revenues of $9,310,000. Revenues assume implementation of repayment reform proposals contained in the President's budget.

- Perform all necessary maintenance to project facilities, including scheduling and installing necessary major replacements and improvements to those facilities, so long as the projects remain in Federal ownership.

- Market project power in accordnace with authorizing legislation to achieve widespread benefits at lowest rates consistent with sound business principles and repayment requirements.

- Continue full utilization of Eklutna Project energy and peaking capability; maximize energy production form the Snettisham Project; cooperate with customers to minimize demand on oil-fired generators pending completion of Crater Lake; facilitate completion of Crater Lake at the earliest possible date.

- Enhance public use of project lands and facilities for other purposes, including visitations, reservoir recreation, fisheries development, and municipal water supply.

Funds in the amount of $200,000 were provided in FY 1984 to be used only in the event of an emergency. These funds have not been expended and remain available.

APA proposes to continue the net-billing arrangement with Alaska Electric Light and Power Company to cover cost of non-Federal operators for Snettisham Project, and to develop a similar arrangement with one of the Eklutna customer utilities for oepration of that project. Total estimated amount to be net-billed in FY 1987 is $350,000

Accomplishments of these objectives will result in Alaska Power Administration meeting its responsibility of operations, maintenance, and power marketing for the two Federal hydroelectric projects in Alaska.

NARRATIVE JUSTIFICATION

FY 1987 Budget Request

Alaska Power Administration is responsible for operation, maintenance, and power marketing for two Federal hydroelectric projects in Alaska. The operating projects are the 30,000-kW Eklutna Project near Anchorage and the 47,160-kW Snettisham Project near Juneau. Project facilities include dams, reservoirs, powerplants, transmission systems, and necessary maintenance facilities. Power is marketed at wholesale to five Alaskan utilities. The Projects represent a current Federal investment of $114,000,000 and a replacement value in excess of $275,000,000.

Total funding for Alaska Power Administration in FY 1987 is $3,281,000. The FY 1987 budget request provides $2,881,000 of new authority with an additional $400,000 available from unobligated balances.

Program objectives in operating, maintaining, and marketing power from Eklutna and Snettisham are:

- o Maximize energy production, provide reliable service to customers, and minimize long-term costs while protecting the Federal investment.
- o Market power in accordance with authorizing legislation; continue full utilization of Eklutna and Snettisham energy and peaking capability; expand Snettisham capability within present authorization by completion of construction of Crater Lake unit in FY 1989.
- o Continue to enhance public use of project lands and facilities, visitation, reservoir recreations, and cooperation with Alaska Department of Fish and Game in salmon production program at Snettisham Project and with Cook Inlet Aquaculture Association for their hatchery at Eklutna Project. Continue cooperation with Municipality of Anchorage on its Eklutna Water Supply Project.

Other Program objectives include:

- o Transfer of APA facilities to the State or other non-Federal ownership in Alaska.
- o Continue full range of administrative and management services in support of program objectives.

The request includes $2,459,000 for normal, continuing operation, maintenance, and marketing functions, of which $440,000 is for major replacement and maintenance items for the following activities:

- o $125,000 to replace and dispose of neutral grounding transformers and capacitors at the Snettisham Project. Because PCB's have been declared hazardous material, replacement and disposition of this equipment is mandatory to prevent possible serious problems in the future. The PCB contaminated equipment will be shipped to an approved disposal site.
- o $275,000 for other major maintenance items including repair of Eklutna tailrace and summer line maintenance and inspection programs at both projects. Repair of the Eklutna tailrace will be timed to take place when Eklutna Water Project is shut down for construction of the Eklutna Water Project tie to APA's conduit at Eklutna Lake. Repair of the tailrace tunnel adit will entail installation of a coffer dam. Replacement of the end wall and stop log guides will also require additional reinforcement and foundation support.
- o $40,000 for equipment and vehicle replacements for Eklutna and Snettisham Projects:

- Replace 1966 Ford 3/4 ton line truck at Eklutna Project with a new, fuel efficient 4 X 4 pickup. Maintenance costs are increasing and the existing truck has reached the end of its useful life.
- Purchase warehouse fork lift for Eklutna Project. Fork lift will be used to store and retrieve equipment in the warehouse and storage yard.
- Replace 1979 Jeep truck at the Snettisham Thane Substation. The Jeep is used for plowing snow around substation. Again, maintenance costs have increased and the Jeep has reached the end of its useful life.

APA will continue the contract with Alaska Electric Light and Power Company for operations of the Snettisham Project and the net-billing arrangement for costs under this contract. Work has started towards a similar operations contract for Eklutna which would go into effect on completion of the automation contract. APA proposes to use net-billing for this contract, also. Estimate total FY 1987 amounts to be net-billed for both projects is $350,000 or 4% of projected revenues.

The request includes $822,000 for administrative and management support services in support of the power operation, maintenance and marketing programs. This covers costs of the Administrator's Office, the staff work in support of the proposed transfer, rent and utilities for APA headquarters office, program and budget, finance, accounting, personnel management, property management, procurement, contract administration, telecommunications, office equipment, computer services, and mails and files.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE

Power Marketing - Alaska Power Administration
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1985 Approp.	FY 1986 Adj. Approp.	FY 1987 Base	FY 1987 Request	Request vs. Base
Operation and Maintenance	$3,233	$3,245	$2,715	$3,281	$ +566
Emergency Fund	--	--	--	--	--
Total, Alaska Power Administration	$3,233	$3,245	$2,715	$3,281	$ +566
Deferral Applied				-400	
New Budget Authority Requested				$2,881	
Staff Total FTE's	37	38	38	38	-0-

Authorization: Section 302, Department of Energy Organization Act of 1977.

Department of Energy

FY 1987 Congressional Budget Request

Adjustments to FY 1986 Appropriations

	FY 1986 Conference	Gramm-Rudman-Hollings Reduction	Adj. Approp. Total
Alaska Power Administration			
Operation and Maintenance	$ 3,281	$ -36	$ 3,245
General Investigations	---	---	---
Program Direction	---	---	---
Emergency Fund	---	---	---
Total, Alaska Power Administration	$ 3,281	$ -36	$ 3,245

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
Alaska Power Administration
(In Thousands of Dollars)

FY 1986 Appropriation	$3,245
- Major maintenance items, Eklutna & Snettisham	- 125
- Complete cleanup of Salisbury Ridge transmission line	- 50
- Replacement of PCB contaminated equipment, Eklutna	- 185
- One-time equipment and vehicle replacement and new purchases for Eklutna & Snettisham	- 170
- Replace PCB contaminated equipment, Snettisham	+ 125
- Major maintenance items, Eklutna & Snettisham	+ 275
- Equipment and vehicle replacements for Eklutna & Snettisham	+ 40
- Increase in operation, maintenance, and administration of programs	+ 126
FY 1987 Budget Request	$3,281
Less: FY 1986 Deferral Applied	-400
	$2,881

Department of Energy
FY 1987 Congressional Budget
Key Activity Summary
Alaska Power Administration

Key Activity	Estimated Activities During FY 1986	Planned Activities During FY 1987
Operation and Maintenance	Total operation, maintenance and marketing expenses including the following: $3,245	Total operation, maintenance and marketing expenses including the following: $2,881
	--Replace PCB contaminated equipment, Eklutna Project.	--Replace PCB contaminated equipment, Snettisham Project.
	--Complete Salisbury Ridge transmission line cleanup.	--Continue major maintenance items, equipment, and vehicle replacements.
	--Continue major maintenance items, equipment, and vehicle replacements.	--Continue administrative and management support services for power operation, maintenance, and marketing programs.
	--Continue administrative and management support services for power operation, maintenance, and marketing programs.	

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET
POWER MARKETING ADMINISTRATION

Revenue and Receipts Report
(In thousands of dollars)

	FY 1985	FY 1986	FY 1987[1]	FY 1988	FY 1989	FY 1990	FY 1991
Alaska Power Administration							
Gross Revenues	$6,866	$7,732	$9,310	$9,330	$10,773	$12,857	$12,757
Receipts:							
Sale and transmission of electric energy - Eklutna Project	$2,647	$3,007	$3,096	$3,096	$ 3,096	$ 3,096	$ 3,096
Sale and transmission of electric energy - Snettisham Project	$4,219	$4,725	$6,214	$6,234	$ 7,677	$ 9,761	$ 9,661
Net billing amount credited back to appropriation as an offsetting receipt	$ 205	$ 283	$ 350	$ 371	$ 393	$ 417	$ 442
Percent of sales to preference customers	57%	57%	59%	59%	60%	61%	62%
Energy Sales from Power Marketed (billions of kilowatt hours)	.3	.4	.4	.4	.4	.4	.4

---

[1] Revenue estimates for FY 1987-1991 assume modified repayment reform.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF ESTIMATES BY APPROPRIATION
ALASKA POWER ADMINISTRATION
(In thousands of dollars)

	FY 1985 Actual		FY 1986 Estimate		FY 1987 Request	
	BA	BO	BA	BO	BA	BO
Power Marketing..........	$3,233	$3,077	$3,245	$3,671	$2,881	$3,281

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
AMOUNTS AVAILABLE FOR OBLIGATION
ALASKA POWER ADMINISTRATION
(In thousands of dollars)

	FY 1986	FY 1987
Appropriation		
Power Marketing	$ 3,245	$ 2,881
Proposed Supplementals	-----	-----
Comparative Transfer to:	-----	-----
Comparative Transfer from:	-----	-----
Subtotal, Budget Authority	$ 3,245	$ 2,881
Receipts and Reimbursements:		
Unobligated Balances, Start of Year ...	903	600
Unobligated Balances, End of Year	- 600	- 200
Total, Obligations	$ 3,548	$ 3,281

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SYSTEMS STATISTICS

ALASKA POWER ADMINISTRATION
(In thousands of dollars)

Generating capacity:			
Installed capacity (kW)	77,160	77,160	77,160
Leasing capacity (kW)	-----	-----	-----
Peak capacity (kW)	77,160	77,160	77,160
Generating stations:			
Generating projects (No.)	2	2	2
Substations/switchyards (No.)	5	5	5
Substations/switchyards capacity)	237,000	237,000	237,000
Available energy:			
Energy generated (MWh)	336,000	360,000	361,000
Energy purchased (MWh)	-----	-----	-----
Energy available for marketing (MWh)	329,000	355,000	356,000
Transmission lines (circuit miles):			
115 kV	60	60	60
138 kV	42	42	42
Total circuit miles	102	102	102
Revenues:			
Annual gross power revenues a/	$ 6,866	$ 7,732	$ 9,310 b/
Prior year adjustments	-----	-----	-----
Total power revenues	$ 6,866	$ 7,732	$ 9,310
Annual gross revenues:	$ 6,866	$ 7,732	$ 9,310
Federal investment allocated to commercial power:			
Generation equipment	$ 83,040	$ 83,040	$ 83,040
Transmission facilities	$ 30,145	$ 30,145	$ 30,145
Total investment	$113,185	$113,185	$113,185

a/ Includes power sales, wheeling, and other revenues.

b/ Assumes modified repayment reform.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
POWER MARKETED, WHEELED OR EXCHANGED BY PROJECT

ALASKA POWER ADMINISTRATION

Project	State	No. of Plants	Installed Capacity(KW)	FY 1985 Actual Power(GHW)	FY 1986 Estimated Power(GHW)	FY 1987 Estimated Power(GWH)
Power Marketed						
Eklutna	Alaska	1	30,000	167	183	185
Snettisham	Alaska	1	47,160	142	153	153
Total, Power Marketed		2	77,160	309	336	338
Power Wheeled and Exchanged						
Eklutna	Alaska	1	13	259	100	100

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

PENDING LITIGATION

ALASKA POWER ADMINISTRATION

NONE

Bonneville

DEPARTMENT OF ENERGY

Proposed Appropriation Language

Bonneville Power Administration Fund

Expenditures from the Bonneville Power Administration Fund, established pursuant to Public Law 93-454, are approved for [Nez Perce Fish Propagation Facility, Yakima Hatchery, Colville Hatchery, Dryden Dam Fish Passage Facilities, and Tumwater Falls] Enloe Dam Fish Passage Facilities. Expenditures are also approved for[: (1) acquisition of one fixed wing aircraft for replacement only and (2)] official reception and representation expenses in an amount not to exceed $2,500.

During fiscal year [1986] 1987, and within the resources and authority available, gross obligations for the principal amount of direct loans shall not exceed $20,000,000. (Public Law 99-141, making appropriations for energy and water development, 1986.)

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

PROGRAM AND PERFORMANCE

Bonneville Power Administration (BPA) is the Federal electric power marketing agency in the Pacific Northwest. BPA markets hydroelectric power from 21 multipurpose water resource projects of the U.S. Army Corps of Engineers and 9 projects of the U.S. Bureau of Reclamation, plus some energy from non-Federal generating projects in the region. These generating resources and BPA's transmission system, planned by the end of FY 1987 to consist of an estimated 14,451 circuit-miles of high-voltage transmission lines and 385 substations, are operated as an integrated power system with operating and financial results combined and reported as the Federal Columbia River Power System. BPA is the largest power wholesaler in the Northwest and provides about four-fifths of the region's electric power transmission capacity.

BPA is responsible for meeting the net firm power requirements of its requesting customers through a variety of means, including energy conservation programs, acquisition of renewable and other resources, and power exchanges with utilities both in and outside the region.

BPA will continue its operations on the basis of its self-financing authority and the new borrowing authority provided by the Pacific Northwest Electric Power Planning and Conservation Act (Pacific Northwest Power Act) (Public Law 96-501) for energy conservation, renewable energy resources, and capital fish facilities. Authority to borrow available to the BPA is available on a permanent, indefinite basis. This authority is limited only in that the amount of borrowing outstanding at any time cannot exceed $3,750,000,000.

Although funds are included in the budget for operating BPA in 1987, but the Administration will actively seek to privitize this utility system. Utilities are not normally a Federal responsibility, and non-Federal owners can operate BPA as efficiently, or more efficiently, than the Federal government.

The Administration will pursue privitization through an open process. It will be guided by the following principles: (1) seek a fair return to the Federal taxpayers from the privatization of these assets, (2) recognize the benefits currently enjoyed by existing customers, and (3) recognize and provide appropriate protections for the personnel benefits of Federal employees.

Before implementation of privitization, the Administration will seek the views of, and promote interest among, concerned groups and individuals, including Congressional delegations, State and local officials, current customers, the financial community, and public power and private sector energy interests.

Budget programs:

1. Resource Planning, Acquisition, and Oversight - Provides for the orderly planning, acquisition, and oversight of reliable, cost-effective, environmentally acceptable resources, including resources purchased prior to the Pacific Northwest Power Act, needed to serve BPA's portion of the region's forecasted net electric load requirements that cannot be met through cost-effective conservation.

2. Residential Exchange - Provides for extending the benefits of low-cost Federal power to the residential and small farm customers of investor-owned and publicly-owned utilities, in accordance with the Pacific Northwest Power Act.

3. Energy Conservation - Provides for funding conservation measures, including home energy efficiency, commercial energy efficiency, street lighting, utility distribution system loss reduction, industrial technological transfers, passive solar energy applications, and conservation measures for new home and commercial building construction.

4. System Planning and Construction - Provides for continuation of construction work on transmission lines, substations and related facilities initiated in prior years, initiation of construction on system additions, and planning and research and development for a reliable, efficient and cost-effective regional transmission system. During FY 1987, BPA plans to construct and energize approximately 44 miles of line and 1 substation.

5. Operating programs

   (a) System Operations - Provides for operating an estimated 14,429 miles of line and 387 substations of the BPA transmission system during FY 1987.

   (b) System Maintenance - Provides for maintaining the facilities and equipment of the BPA transmission system in FY 1987.

   (c) Power Marketing - Provides for forecasting regional demand; negotiating power sales and wheeling, billing, and servicing these contracts; reviewing and establishing wholesale power and wheeling rates; and encouraging public participation in the formation of BPA policies and programs.

   (d) Power Scheduling - Provides for the scheduling of power.

   (e) Fish and Wildlife - Provides for protection, mitigation and enhancement of fish and wildlife affected by hydroelectric facilities on the Columbia River and its tributaries, in accordance with the Pacific Northwest Power Act.

   (f) Planning Council - Provides for activities of the Pacific Northwest Electric Power and Conservation Planning Council required by the Pacific Northwest Power Act.

6. Interest on Borrowings - Provides for payments to the U.S. Treasury for interest on borrowings to finance BPA's construction, energy conservation, and fish and wildlife programs under $3,750,000,000 borrowing authority provided by the Federal Columbia River Transmission System Act (FCRTSA) as amended by the Pacific Northwest Power Act and replenished by Public Law 98-50.

7. Associated Project Costs - Provides for repayment of the operation and maintenance (O&M) costs of the 30 U.S. Army Corps of Engineers and U.S. Bureau of Reclamation power generating projects, interest and amortization on the U.S. Bureau of Reclamation capital investment in power generating facilities, and coordination agreement payments to the Federal Energy Regulatory Commission.

8. Reimbursable - Provides for 28 percent of Hanford Generating Project operating expenses paid by two investor-owned utilities through trust fund arrangements. Also provides for services such as construction, operation and maintenance of transmission facilities when requested and financed by other entities.

Contingencies: Although contingencies are not specifically funded, the need may arise to provide for purchase of power in low-water years; for repair and/or replacement of facilities affected by natural and man-made emergencies, including the resulting additional costs for contracting, construction, and operation and maintenance work; for unavoidable increased costs for the planned program due to necessary but unforeseen adjustments, including engineering and design changes, contractor and other claims and relocations; or for payment of a retrospective premium adjustment in excess nuclear property insurance policy, in the event one of the participating utilities has an accident with property damage in excess of $500 million.

Financing: The FCRTSA provides for the use by BPA of all receipts, collections, and recoveries in cash from all sources, including the sale of bonds, to finance the annual budget programs of BPA. These receipts result primarily from the sale of power and wheeling. The FCRTSA also provides for authority to borrow from the U.S. Treasury at rates comparable to borrowings at open market rates for similar issues. As amended by the Pacific Northwest Power Act, and replenished by Public Law 98-50, it allows for $3,750,000,000 of borrowing to be outstanding at any time. Borrowing authority estimated for use in FY 1987 is $276,100,000.

In FY 1985, BPA made Treasury payments of $670.7 million and expects to make payments of $670.1 million in FY 1986 and $654.1 million in FY 1987. The FY 1987 payment will be distributed as follows: Corps and Bureau O&M and FERC payments ($95 million), interest on bonds and appropriations ($410.5 million), and amortization ($148.6 million).

The Administration is proposing legislation to modify the repayment criteria that would require an additional $139,000,000 in revenues in FY 1987.

Direct loans: The limitation on direct loans is $20,000,000 in FY 1987.

Operating results: Total revenues and reimbursements are forecast at approximately $2,967,800,000 in FY 1987. The modification of debt repayment criteria is shown under the Departments' legislative program.

It should be noted that BPA's revenue forecasts are based on several critical assumptions about both the supply of and demand for Federal energy. Deviation from the assumed conditions may result in variation in actual revenues of several hundred million dollars from the forecast. Estimated retained income for FY 1987, based on BPA's current revenue and expense estimates, is $266,831,000, an increase of $51,482,000 from FY 1986.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

FY 1987 BUDGET PROPOSAL

DEFEDERALIZATION OF BPA

Funds are included in the budget for operating BPA in FY 1987, but the Administration will actively seek to defederalize BPA by FY 1988. The Administration's position is that although there are historical reasons why BPA was created as a Federal agency, there may no longer be a need for continued Federal operation of this utility system. Utilities are not normally a Federal responsibility and non-Federal owners may be able to operate BPA as efficiently, or more efficiently, than the Federal government.

The Administration will pursue defederalization through an open process. It will be guided by the following principles: (1) seek a fair return to the Federal taxpayers from the privatization of these assets, (2) recognize the benefits currently enjoyed by existing customers and other interests, and (3) recognize and provide appropriate protections for the personnel benefits of Federal employees.

Before implementation of defederalization, the Administration will seek the views of, and promote interest among, concerned groups and individuals, including Congressional delegations, State and local officials, current customers, the financial community, and public power and private sector energy interests.

Although the final terms and conditions of the sale will be developed through a public process, the President's FY 1987 budget estimates assume the Federal power generation and transmission facilities overseen by BPA will be sold at a price equal to the unpaid Federal investment of $8.85 billion on October 1, 1987. The budget assumes payments to the Treasury will be received over four years starting in FY 1988.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

SUMMARY OF CHANGES FROM CURRENT SERVICES, INCLUDING DEFEDERALIZATION
NET OBLIGATIONS/NET OUTLAYS

($ in 000's)

	FY 1986		FY 1987		FY 1988	FY 1989	FY 1990	FY 1991
	Net Obligations	Net Outlays	Net Obligations	Net Outlays	Net Outlays	Net Outlays	Net Outlays	Net Outlays
Current Services	+5,400	-31,615	-28,900	-43,100	-34,300	-126,700	-196,000	-189,700
Gramm-Rudman (G-R) Impact 1/	-2,477	-2,180	0	-297	0	0	0	0
Current Services, Net of FY 1986 G-R	(+2,923)	(-33,795)	(-28,900)	(-43,397)	(-34,300)	(-126,700)	(-196,000)	(-189,700)
Revised Repayment Proposal Impact 2/	--	--	-134,300	-134,300	-100,800	-90,300	-86,400	-77,400
Defederalization Impact 3/	--	--	--	--	+135,100	+217,000	+282,400	+267,100
NET 4/	+2,923	-33,795	-163,200	-177,697	0	0	0	0

1/ The Balanced Budget and Emergency Deficit Control Act of 1985 (Section 256) contained a provision for the reduction of administrative expenses of all Federal agencies. This reduction of administrative expenses applied to the Bonneville Power Administration programs results in a decrease in FY 1986 obligations and outlays and a carry-over impact on outlays in FY 1987, as shown above.

2/ Legislation is being proposed to change BPA's repayment practice to a fixed 50 year (or the end of an investment's service life, whichever is less) straight-line repayment schedule for amortization of the Federal appropriated investment. The difference between the amounts shown here for Repayment Proposal Impact (e.g., $134 million in FY 1987) and the increased revenues associated with the Repayment Proposal shown elsewhere in this document (e.g., $139 million in FY 1987) are credited as receipts elsewhere in the Federal budget. Amounts shown relate only to the BPA Fund.

3/ Foregone revenues which are expected to be more than offset by receipts from the sale of BPA.

4/ Proceeds from the sale of BPA are not listed in this table. Any such receipts would be deposited on a Treasury account separate from the BPA account. The zeros shown for net outlays in the years FY 1988-1991 reflect the assumption that the BPA Fund would not appear in the Budget.

MODIFIED REPAYMENT PROPOSAL

Although it is expected that BPA will be sold to non-Federal interests, in the interim legislation is being prepared to modify BPA's capital investment repayment practices. This legislation is expected to protect the interests of the Nation's taxpayers and to be consistent with sound business principles. These modifications require repayment of the unpaid balance of the original Federal investment at a level not less than would be required under a fixed, straight-line amortization schedule for each power investment financed by appropriations and placed in service. This requirement would not apply to irrigation investments. BPA bonds would continue to be repaid under the terms already negotiated between BPA and Treasury. Repayments of principal, if necessary, could be deferred, subject to the same terms and conditions now applicable to deferred interest payments (e.g.,, current interest rates are used because the deferral helps finance current operations). The impact of this repayment proposal is relatively modest compared to the proposal made last year in the FY 1986 budget.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

IMPACT OF MODIFIED REPAYMENT PROPOSAL ON FEDERAL COLUMBIA RIVER POWER SYSTEM 1/

($ in millions)

	FY 1987			FY 1988 2/			FY 1989 2			FY 1990 2/			FY 1991 2/		
	Current Services	Change	Repymt Proposal	Current Services	Change	Repymt Proposal	Current Services	Change	Repymt Proposal	Current Services	Change	Repymt Proposal	Current Services	Change	Repymt Proposal
Interest	211.3	-16.7	194.6	230.6	-8.3	222.3	237.2	+.7	237.9	227.9	+7.9	235.8	209.0	+13.4	222.4
Assoc. Project Cost															
Bureau Amortization	0	+21.8	21.8	0	+23.2	23.2	0	+23.2	23.2	0	+23.2	23.2	0	+23.2	23.2
Bureau Interest	26.7	0	26.7	28.9	-.7	28.2	28.9	-1.4	27.5	28.9	-2.2	26.7	28.9	-2.9	26.0
Other	95.0	0	95.0	101.4	0	101.4	108.0	0	108.0	116.6	0	116.6	123.4	0	123.4
Total APC	121.7	+21.8	143.5	130.3	+22.5	152.8	136.9	+21.8	158.7	145.5	+21.0	166.5	152.3	+20.3	172.6
Total Programs	2,938.9	+5.1	2,944.0	3,186.4	+14.2	3,200.6	3,303.4	+22.5	3,325.9	3,463.2	+28.9	3,492.1	3,696.8	+33.6	3,730.5
Total, Revenues & Reimbursements 3/	2,967.8	+139.4	3,107.2	3,220.7	+115.0	3,335.7	3,430.1	+112.8	3,542.9	3,659.2	+115.3	3,774.5	3,886.5	+111.1	3,997.6
Capital Transfers															
BPA Approp. Int.	58.8	0	58.8	58.8	-2.4	56.4	58.8	-4.7	54.1	58.8	-7.1	51.7	58.8	-9.4	49.4
Corps Approp. Int.	113.7	0	113.7	108.3	-3.8	104.5	112.6	-7.5	105.1	116.3	-7.8	108.5	116.3	-7.5	108.8
Amortization															
BPA Bonds	88.3	-29.0	59.3	175.2	-71.1	104.1	230.2	-77.0	153.2	286.6	-87.1	199.5	303.1	-103.4	199.7
Corps	60.3	+102.9	163.2	0	+117.7	117.7	0	+119.1	119.1	0	+128.0	128.0	0	+137.4	137.4
BPA	0	+60.4	60.4	0	+60.4	60.4	0	+60.4	60.4	0	+60.4	60.4	0	+60.4	60.4
Subtotal	148.6	+134.3	282.9	175.2	+107.0	282.2	230.2	+102.5	332.7	286.6	+101.3	387.9	303.1	+94.4	397.5
Total Cap. Transfers	321.1	+134.3	455.4	342.3	+100.8	443.1	401.6	90.3	491.9	461.7	+86.4	548.1	478.2	+77.5	555.7
Net Obligations	-28.9	-134.3	-163.2	-34.3	-100.8	-135.1	-126.7	-90.3	-217.0	-196.0	-86.4	-282.4	-189.7	-77.4	-267.1
Net Outlays	-43.1	-134.3	-177.4	-34.3	-100.8	-135.1	-126.7	-90.3	-217.0	-196.0	-86.4	-282.4	-189.7	-77.4	-267.1

*NOTE: Totals may not add due to rounding.

1/ Legislation is being proposed to change BPA's repayment practice to convert to a fixed 50 year (or the end of an investment's service life, whichever is less) straight-line repayment schedule for amortizations of the Federal appropriated investment.
The Gramm-Rudman reductions are not relevant to this table.

2/ The President's FY 1987 budget assumes that amounts for FY's 1988-1991 will be dropped from the budget to reflect the sale of BPA to non-Federal owners.

3/ The revenue requirement will change to reflect the increase in each year.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

FY 1987 CURRENT SERVICES PROGRAM OVERVIEW

Bonneville Power Administration (BPA), one of the Department of Energy's five Power Marketing Administrations (PMA's) nationally, is the power marketing agency serving the Pacific Northwest, a 300,000-square-mile service area that encompasses Oregon, Washington, Idaho, and western Montana, and portions of several other states in the Columbia River drainage basin. BPA markets hydroelectric power from 30 U.S. Army Corps of Engineers (Corps) and U.S. Bureau of Reclamation (Bureau) projects, and from certain non-Federal hydro and thermal generating facilities in the region. BPA also markets and exchanges electric power over the Pacific Northwest-Pacific Southwest (PNW-PSW) Intertie, and over interconnections with utilities in British Columbia.

BPA was created in 1937. Fiscal Year 1987 will mark 50 years of providing low-cost, reliable electric service to the Pacific Northwest.

Today, BPA provides a wide range of electric energy services to the people of the Pacific Northwest. BPA must keep its power rates as low as possible, while assuring availability of financial resources necessary to meet its obligations over the long term. In keeping with BPA's operation as an electric utility, the Federal Columbia River Transmission System Act of 1974 (Public Law 93-454--Transmission Act) placed BPA on a self-financed basis with "revolving fund" authority under the provisions of the Government Corporation Control Act to fund its operations from power sales revenues and borrowings from the Treasury.

With the passage in 1980 of Public Law 96-501, the Pacific Northwest Electric Power Planning and Conservation Act (Pacific Northwest Power Act), BPA's long standing utility role and responsibilities were greatly expanded to include meeting regional load growth. New responsibilities were added for energy conservation, enhancement of fish and wildlife, public involvement in electric energy matters, and power exchanges with investor-owned utilities.

Projected Revenues and Expenses

BPA's projected financial and programmatic operations under these authorities are shown in the table on the following page.

Treasury payments cover principal and interest on the Federal investment in hydroelectric projects and transmission facilities in the Pacific Northwest, and operation and maintenance costs for Corps and Bureau projects. In FY 1985 BPA made Treasury payments of $670.7 million and expects to make payments of $670.1 million in FY 1986 and $654.1 million in FY 1987, under Current Services estimates.

BONNEVILLE POWER ADMINISTRATION
PROJECTED REVENUES AND EXPENSES
(in thousands of dollars)

			FY 1987	
	FY 1985	FY 1986	Current Services	Repayment Proposal 1/
Total Revenues and Other Receipts	$2,891,960	$2,920,200	$2,967,800	$3,107,200
Less Expenses				
Residential Exchange	-1,008,838	-1,084,200	-1,109,600	-1,109,600
Resource Planning & Acq.	-950,327	-967,300	-955,900	-955,900
Energy Conservation	-1,109	-21,300	-30,700	-30,700
Sys. Planning & Construction	-11,191	-15,900	-16,300	-16,300
Operating Programs	-132,009	-156,400	-168,600	-168,600
Reimbursable	-27,083	-47,400	-48,700	-48,700
Adjustments to Cash	-90,719	+42,400	+16,100	+16,100
Available for Treasury Payments	670,684	670,100	654,100	793,500
Application of Treasury Payments				
Corps and Bureau O&M, FERC Payments	85,192	90,300	95,000	95,000
Interest	357,616	389,000	410,500	393,800
Amortization	227,876	190,800	148,600	304,700
Total Treasury Payments	670,684	670,100	654,100	793,500

This budget further reflects BPA's growing fiscal strength. By the end of FY 1984 BPA had repaid all past due interest and deferred capital transfers to the Treasury. Cumulative amortization through FY 1984 was $639,690,000. This budget provides for maintaining BPA repayment obligations fully on schedule according to current DOE repayment methodology (DOE Order 6120.2). It includes provision for significant amortization payments throughout the budget period. BPA's FY 1985 amortization payment totalled $227.9 million ($215.1 million for Corps of Engineers and BPA amortization, and $12.8 million for Bureau of Reclamation amortization). At the end of FY 1987 BPA will have amortized over $1.2 billion of the Federal investment. Even with the planned repayment, however, the unpaid Federal investment will increase from $8.0 billion at the end of FY 1984 to $8.85 billion at the end of FY 1987, because new investments are being placed in service faster than old investments are repaid. It should also be noted that BPA's borrowing rate for its new investments exceeds that of Treasury's by .5 to 1.0 percent. For example, BPA's June 1985 bond was issued at 11.25 percent. Treasury bonds were yielding 10.72 percent interest at the same time.

Capital Investment Plan

Based on a formal assessment of the lowest cost method of meeting future demand for electricity (the Resource Strategy), transmission development forecasts, and financial considerations, BPA develops a capital investment plan to provide needed power

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1/ Legislation is being proposed to change BPA's repayment practice to convert to a fixed 50 year (or the end of an investment's service life, whichever is less) straight-line repayment schedule for amortizations of the Federal appropriated investment. This column reflects increases that would result from such legislation.

resources, including conservation, transmission system additions and replacements, and the fish and wildlife mitigation measures that are required by the Pacific Northwest Power Act. FY 1985 actuals and estimated investments for FY 1986 and 1987 are shown below.

CAPITAL INVESTMENTS BY PROGRAM
(in thousands of dollars)

	FY 1985	FY 1986	FY 1987
Energy Conservation	138,365	85,500	86,800
System Planning & Construction	136,182	234,000	170,800
Fish & Wildlife	10,224	10,500	18,500
Total Capital Investments (Borrowing Authority)	284,771	330,000	276,100

BPA's capital investments are financed with funds borrowed from the U.S. Treasury, which are repaid from power sales revenues.

The Senate Subcommittee on Appropriations directed BPA to notify the committee of any change in the planned use of borrowing authority amounting to more than 10 percent of any major program area. In reports on the FY 1986 Appropriations bill, the House and Senate Subcommittees recommended an increment of $301 million in borrowing authority in FY 1986, plus any unused portion from prior years, to fund construction, conservation, and fish and wildlife activities. BPA ended FY 1985 with $87 million in unused borrowing authority, bringing the recommended total to $388 million. However, BPA will use only 85 percent of that authority (or $330 million) in FY 1986 due to program reductions and stretchouts. This constitutes the notification directed by the committee.

The program summarized above is substantially influenced by expected load growth. BPA's forecast for the 20-year period 1984-2004 projects the region's average annual rate of load growth will be between +2.8 percent and -0.7 percent, with a median growth rate of 1.3 percent. Last year's forecasted median rate was 1.4 percent.

Status of Revenues

It should be noted that because BPA does not receive appropriations, the fiscal plan outlined above is dependent on a key variable -- revenues from operations. BPA's revenues result from sales of power both within and outside the Pacific Northwest. Revenue forecasts are influenced by assumptions about both the supply of Federal energy and the market for the Federal power.

Critical assumptions as to the supply are the amount of water in reservoirs above the Federal hydroelectric dams, and continued availability of thermal generation. A wide variety of assumptions affect the market for energy. The principal factors are the economy in the Pacific Northwest and Pacific Southwest, production levels in the Direct Service Industries, and regional and west coast supplies of energy.

The Current Services tables in the budget show BPA's actual revenues for FY 1985, and the estimates included in the 1985 Rate Case for FY 1986 and beyond. The rate case estimates assume water supplies at relatively conservative levels, a continuation of the region's present economic activity and continued, but limited production by BPA's industrial customers.

While BPA has used these assumptions to predict future revenues as accurately as possible in the coming years, worse than assumed water supply, economic, or industrial conditions could result in annual revenues as much as $400 million lower than projected. By the same token, better than critical water and an improved economy could result in annual revenues substantially higher than projected.

Accordingly, while specific revenue forecasts and associated financial conditions have been shown in tables, they must be recognized as best estimates that may vary within a wide range depending on conditions.

DSI Options

BPA is taking steps to ensure its revenues. In view of the precarious situation of some of BPA's direct-service industrial customers, primarily the aluminum industry that buys about one third of BPA's power, BPA is pursuing a three part program consisting of (1) the development of a variable power rate that responds to aluminum market conditions, (2) a BPA participation in a partnership program to modernize DSI plants and increase energy efficiency, and (3) a linkage between BPA's industrial firm power rate and its priority firm rate for public utilities. BPA issued a Federal Register Notice of its initial proposal for a variable power rate for Northwest Aluminum smelters in December. The formal hearings on the proposal began on January 6, 1986. This process will involve hearings, testimony, cross examination and rebuttal. This process is scheduled to be completed in May 1986 when a final record of decision could be signed by the BPA Administrator. If approved by the FERC, the variable rate could go into effect in July or August 1986.

Marketing the Surplus

Other revenue enhancing actions involve marketing surplus power. Since BPA expects to have substantial power surpluses through the mid to late 1990's, intensive efforts continue to find markets for this power. If successful, these marketing efforts will make a substantial contribution to BPA's revenues and to its efforts to stabilize power rates in the region.

BPA has undertaken several intra-regional marketing programs for both nonfirm energy and surplus firm power. Incentive rates for DSI and irrigation loads, fuel displacement programs, and development of new markets have helped BPA's short-term sale of surplus power while benefiting the region. BPA continues to pursue opportunities for development and expansion of its new markets.

In addition to seeking improving markets within the region, BPA is actively pursuing marketing and supply opportunities in adjacent regions: both to the Northwest in British Columbia and southwards in California and the Inland Southwest.

At the request of interested prospective buyers, BPA is developing a Firm Displacement Rate. This concept would allow BPA to dispose of its surplus power within the Northwest, while allowing Northwest utilities to increase surplus sales outside the region. BPA is also pursuing opportunities to make direct surplus sales to utilities in the Southwest.

The Role of PNW-PSW Interties

Increased intertie capacity is central to the longer term success of realizing revenues through BPA's inter-regional marketing efforts. For the past several years, BPA and utilities in both the PNW and the PSW have been cooperating in the development of major additions to the electrical transmission capacity between the two regions. This budget includes funding to continue and complete an expansion of the DC terminal at Celilo, Oregon. This expansion will increase PNW-PSW Intertie transfer capability by 1100 MW from 2000 MW to 3100 MW. This new start was added by the Congress during the FY 1985 budget process. PSW utilities are constructing similar facilities at the southwest terminal at Sylmar, California.

This budget also includes a FY 1987 construction new start for a Third AC Intertie Reinforcement to be completed May, 1990. This involves upgrade of existing Federal facilities in the Northwest to support energy transfers that will be possible upon construction of the Third AC transmission line in Northern California by Southwest utility interests and the DOE. If BPA and other Intertie owners are able to make satisfactory arrangements for use of the Intertie by other Northwest utilities through subscription, facilities related to the Third AC line may be funded by non-Federal participants. BPA continues to participate with PNW and PSW entities in engineering, economic and environmental analysis of this and any possible further intertie expansions that offer opportunities for sharing lower electric energy costs through increased sales of surplus Northwest power.

Power Supplies

Because of the long term surplus outlined above, BPA's efforts to ensure adequate supplies are also focussed on the long term. BPA is working with others in the region to maintain and enhance long term reserves to meet both planned and unexpected load growth at the lowest cost. Two Nuclear generating plants of the Washington Public Power Supply System, WNP-1 and WNP-3, are currently in deferred construction status, with no funds for construction restart included in BPA's budgets through FY 1991. Other generating resource and energy conservation programs are emphasizing steps necessary to ensure long term availability of power at the least cost.

Supply System Plants

BPA recently reexamined its resource plans for the FY 1988 through FY 1992 time period in its Draft 1986 Resource Strategy. The Draft Strategy concluded that the probability of there being a need to restart construction of Supply System Projects 1 and 3 (WNP-1 and WNP-3) through fiscal year 1992 was not great enough to warrant the inclusion of construction restart costs in the outyear estimates of BPA's FY 1987 Budget. The decrease in FY 1989 through FY 1991 budget estimates from the FY 1986 Congressional Budget reflects the decrease in debt service requirements associated with deferring construction beyond FY 1991. Preservation costs for WNP-1 and WNP-3 have been included in fiscal years 1988 through 1991 as appropriate to reflect this assumption. While the Draft Strategy will not be finalized until February, 1986, it is management's opinion that it is unlikely this conclusion will be changed in the final report.

During fiscal year 1985, BPA and the four investor-owned utilities which own 30 percent of WNP-3 reached a settlement agreement concerning the utilities suit against BPA for delaying construction of WNP-3. Damages stemming from the suits, if successful, could have amounted to more than $2.0 billion. Final court approval of the settlement is pending.

Supply System Project 2 (WNP-2) became operational on December 13, 1984. During fiscal year 1985, the plant's capacity factor was 54 percent mainly due to recirculation pump problems. The plant's power made a significant contribution to BPA's revenues during the period due to the poor hydro conditions stemming from dry weather and poor spring run-off.

Summary

On a current services basis total BPA obligations in FY 1987 are estimated at $2,938,900,000, an increase of approximately $13 million from FY 1986. The most significant programmatic change between fiscal years 1986 and 1987 is a reduction of approximately $63 million in the construction program level due to the award of a large contract for expansion of the DC intertie terminal at Celilo Converter Station in FY 1986, causing an unusual swing in that year's construction program. Changes in other program areas include a slight decrease in WNP-2's expenditures resulting from offsetting receipts as construction contracts are closed out, an increase of about 12 percent in interest expense, and a $10 million increase in the fish and wildlife program as BPA fulfills its responsibilities under the Pacific Northwest Power Act.

BPA's current financial condition continues to improve as the agency marks 50 years of service to the region and the Nation in 1987. This budget reflects the tough actions we have taken to control costs and our continued dedication to deliver "best value" to our customers. It continues operation under its self-financing authority, with no need for appropriations. Consistent with its policy of meeting growing responsibilities with a stable employment the budget assumes continuation of the FY 1986 level of 3480 FTE.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

CURRENT SERVICES
PROGRAM AND FINANCING SUMMARY
($ 000's)

PROGRAMS

	FY 1985		FY 1986		FY 1987		FY 1988 1/	FY 1989 1/	FY 1990 1/	FY 1991 1/
	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays	Outlays	Outlays	Outlays	Outlays
Resource Planning	950,327	983,500	967,300	952,400	955,900	941,800	1,010,800	1,031,300	1,059,300	1,108,100
Residential Exchange	1,008,838	1,008,800	1,084,200	1,084,200	1,109,600	1,109,600	1,191,100	1,285,400	1,409,100	1,563,800
Energy Conservation	139,474	102,100	106,800	121,000	117,500	117,500	119,500	121,200	129,600	140,300
Sys. Planning & Constr.	147,373	126,700	249,900	206,585	187,100	192,000	252,700	221,500	205,300	221,000
Operating Programs	142,233	142,200	166,900 2/	166,900 2/	187,100	187,100 2/	195,800	209,500	222,000	233,800
Reimbursable	27,083	23,100	47,400	47,400	48,700	48,700	55,600	60,400	64,500	68,500
Interest	164,335	164,300	188,900	188,900	211,300	211,300	230,600	237,200	227,900	209,000
Assoc. Project Costs	105,984	106,000	114,200	114,200	121,700	121,700	130,300	136,900	145,500	152,300
Total Programs	2,685,647	2,656,700	2,925,600	2,881,585	2,938,900	2,929,700	3,186,400	3,303,400	3,463,200	3,696,800

FINANCING

	Accrued Revenue	Cash Receipts	Accrued Revenue	Cash Receipts	Accrued Revenue	Cash Receipts	Cash Receipts	Cash Receipts	Cash Receipts	Cash Receipts
Revenues from Operation	2,867,990	2,893,600	2,872,800	2,865,800	2,919,100	2,924,100	3,165,100	3,369,700	3,594,700	3,818,000
Reimbursements	23,970	24,000	47,400	47,400	48,700	48,700	55,600	60,400	64,500	68,500
Total, Revenues & Reimbursements	2,891,960	2,917,600	2,920,200	2,913,200	2,967,800	2,972,800	3,220,700	3,430,100	3,659,200	3,886,500

NET OBLIGATIONS/OUTLAYS

Net Obligations/ Outlays	-206,313	-260,900	+5,400	-31,615	-28,900	-43,100	-34,300	-126,700	-196,000	-189,700

NOTE: The estimated funding levels in this table are based on current conditions in the Pacific Northwest. Changing regional circumstances may require adjustments within the funding level between subprograms or programs.

1/ The President's FY 1987 budget assumes that amounts for FY's 1988-1991 will be dropped from the budget to reflect the sale of BPA to non-Federal owners.

2/ These estimates do not reflect Gramm-Rudman reductions of $2,477,000 in FY 1986 obligations.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

CURRENT SERVICES
FINANCIAL SUMMARY
Fiscal Years 1985 through 1991

($ 000's)

RESULTS FROM OPERATIONS

	FY 1985		FY 1986		FY 1987		FY 1988 1/	FY 1989 1/	FY 1990 1/	FY 1991 1/
	Revenues/ Oblig.	Cash Recpts/ Outlays	Revenues/ Oblig.	Cash Recpts/ Outlays	Revenues/ Oblig.	Cash Recpts/ Outlays	Cash Recpts/ Outlays	Cash Recpts/ Outlays	Cash Recpts/ Outlays	Cash Recpts/ Outlays
Total Revenues and Reimbursements	2,891,960	2,917,600	2,920,200	2,913,200	2,967,800	2,972,800	3,220,700	3,430,100	3,659,200	3,886,500
Revenue Program										
Resource Planning	950,327	983,500	967,300	952,400	955,900	941,800	1,010,800	1,031,300	1,059,300	1,108,100
Residential Exchange	1,008,838	1,008,800	1,084,200	1,084,200	1,109,600	1,109,600	1,191,100	1,285,400	1,409,100	1,563,800
Energy Conservation	1,109	1,100	21,300	21,300	30,700	30,700	42,900	50,300	57,100	64,700
Sys. Planning & Constr.	11,191	11,200	15,900	15,900	16,300	16,300	16,800	17,900	19,500	23,300
Operating Programs	132,009	132,000	156,400 2/	156,400 2/	168,600	168,600 2/	179,600	192,100	200,900	212,700
Reimbursable	27,083	23,100	47,400	47,400	48,700	48,700	55,600	60,400	64,500	68,500
Interest	164,335	164,300	188,900	188,900	211,300	211,300	230,600	237,200	227,900	209,000
Assoc. Project Costs	105,984	106,000	114,200	114,200	121,700	121,700	130,300	136,900	145,500	152,300
Total Programs	2,400,876	2,430,000	2,595,600	2,580,700	2,662,800	2,648,700	2,857,700	3,011,500	3,183,800	3,402,400
NET PROCEEDS	491,084	487,600	324,600	332,500	305,000	324,100	363,000	418,600	475,400	484,100

1/ The President's FY 1987 budget assumes that amounts for FY's 1988-1991 will be dropped from the budget to reflect the sale of BPA to non-Federal owners.

2/ These estimates do not reflect Gramm-Rudman reductions of $2,477,000 in FY 1986 obligations.

USE OF NET PROCEEDS

	FY 1985		FY 1986		FY 1987		FY 1988 1/	FY 1989 1/	FY 1990 1/	FY 1991 1/
Capital Transfers										
BPA Approp. Interest	57,702	57,700	58,800	58,800	58,800	58,800	58,800	58,800	58,800	58,800
Corps Approp. Int.	127,587	127,600	117,400	117,400	113,700	113,700	108,300	112,600	116,300	116,300
Amortization	215,076 2/	215,100 2/	190,800	190,800	148,600	148,600	175,200	230,200	286,600	303,100
Subtotal	400,365	400,400	367,000	367,000	321,100	321,100	342,300	401,600	461,700	478,200
Capital Program										
Energy Conservation	138,365	101,000	85,500	99,700	86,800	86,800	76,600	70,900	72,500	75,600
Sys. Planning & Const	136,182	115,500	234,000	190,685	170,800	175,700	235,900	203,600	185,800	197,700
Oper. Programs (Fish)	10,224	10,200	10,500	10,500	18,500	18,500	16,200	17,400	21,100	21,100
Subtotal	284,771	226,700	330,000	300,885	276,100	281,000	328,700	291,900	279,400	294,400
TOTAL	685,136	627,100	697,000	667,885	597,200	602,100	671,000	693,500	741,100	772,600
Less: Trea. Borrowing	-284,771	-140,000	-330,000	-300,885	-276,100	-281,000	-328,700	-291,900	-279,400	-294,400
Plus: Cash/Misc Change	90,719	500	-42,400	-34,500	-16,100	3,000	20,700	17,000	13,700	5,900
NET PROCEEDS	491,084	487,600	324,600	332,500	305,000	324,100	363,000	418,600	475,400	484,100

STATUS OF BORROWING

	FY 1985		FY 1986		FY 1987		FY 1988 1/	FY 1989 1/	FY 1990 1/	FY 1991 1/
Prior Cumulative Borrow. Auth.		1,583,224 3/		1,662,995		1,891,595	2,079,395	2,232,895	2,294,595	2,287,395
Borrowing Authority		284,771		330,000		276,100	328,700	291,900	279,400	294,400
Less BPA Bond Amortization		-205,000		-101,400		-88,300	-175,200	-230,200	-286,600	-303,100
Cumulative Borrow. Auth. (Obs)		1,662,995		1,891,595		2,079,395	2,232,895	2,294,595	2,287,395	2,278,695

1/ The President's FY 1987 budget assumes that amounts for FY's 1988-1991 will be dropped from the budget to reflect the sale of BPA to non-Federal owners.

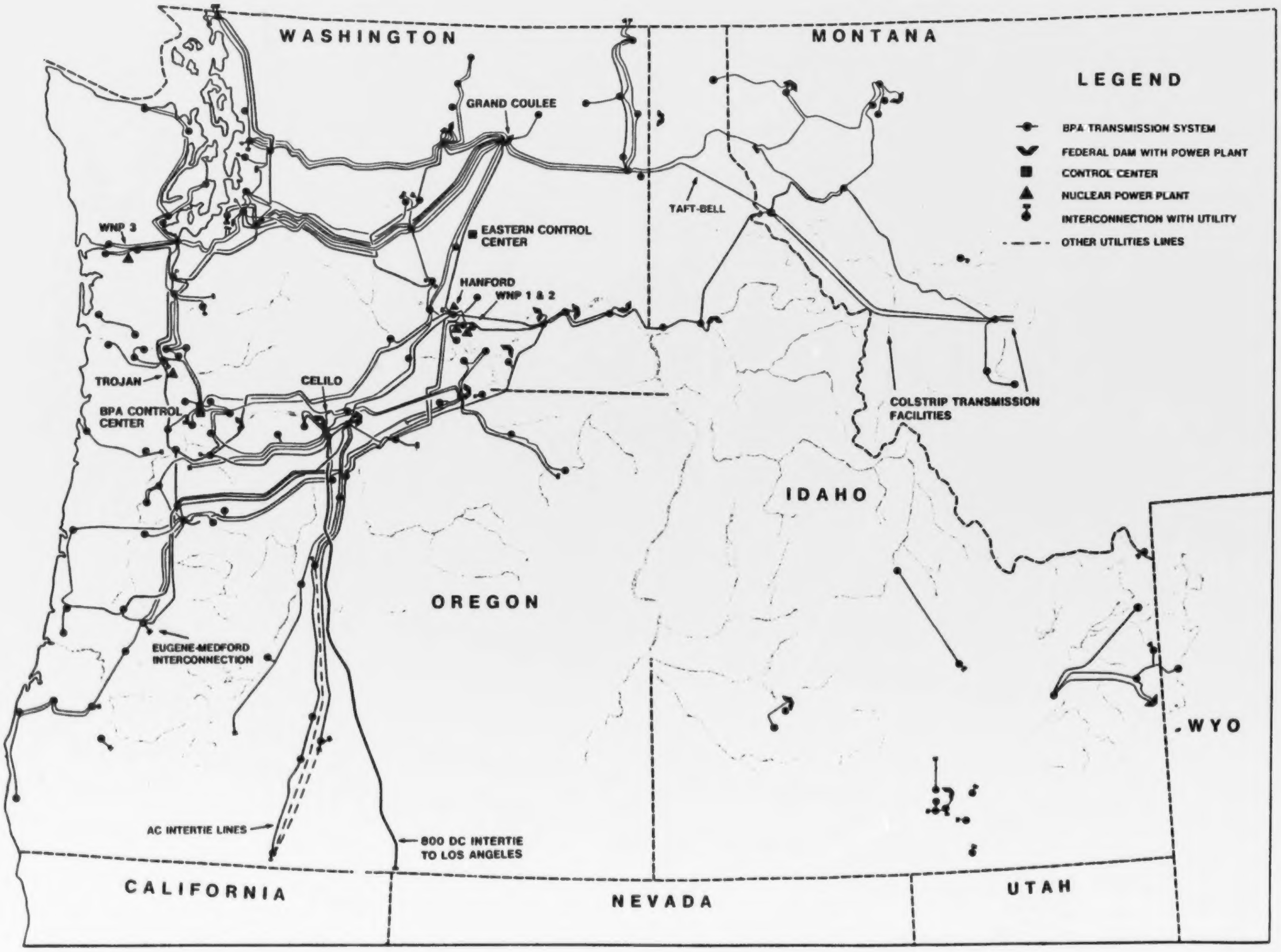
2/ BPA's total Amortization payment of $227,900,000 in FY 1985 included $12,800,000 for Bureau of Reclamation Amortization in Associated Project Costs.

3/ This number was recalculated in the FY 1985 Rate Case. As a result, it was decreased by $47,623,000. Prior to the recalculation, the corresponding number was $1,630,847,000.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

SYSTEM STATISTICS

	End-of-Year		
	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Generating capacity			
USCE and USBR hydroelectric plants in Federal Columbia River Transmission System (FCRTS)			
Number of projects	30	30	30
Installed capacity (kW)	19,533,980	19,636,380	19,748,780
Peak capacity (kW)	21,964,800	21,964,800	21,964,800
Available energy (MWh)			
Energy generated at USCE and USBR hydroelectric plants	87,600,000	88,000,000	88,000,000
Conservation	1,325,000	1,700,000	2,100,000
Energy purchased, wheeled, and exchanged	61,000,000	66,500,000	70,000,000
Total Energy Available	149,925,000	156,200,000	160,100,000
Substations			
Number of substations.	383	387	385
kVA capacity	63,566,105	63,810,105	64,925,006
Transmission lines (circuit-miles)			
1000 kV	264	264	264
500 kV	3,992	4,311	4,311
345 kV	709	709	709
287 kV	1,450	1,450	1,450
230 kV	3,974	4,053	4,075
138 kV	93	93	93
115 kV	3,244	3,254	3,254
Lower design voltage	295	295	295
Total circuit-miles	14,021	14,429	14,451
Investments ($ million)			
Transmission facilities (BPA)	2,653	3,181	3,298
USCE and USBR hydroelectric facilities	5,129	5,149	5,337
Conservation	397	606	740
Total	8,179	8,946	9,375


WASHINGTON
MONTANA
LEGEND
BPA TRANSMISSION SYSTEM
FEDERAL DAM WITH POWER PLANT
CONTROL CENTER
NUCLEAR POWER PLANT
INTERCONNECTION WITH UTILITY
OTHER UTILITIES LINES
GRAND COULEE
TAFT-BELL
EASTERN CONTROL CENTER
HANFORD
WNP 1 & 2
WNP 3
TROJAN
BPA CONTROL CENTER
CELILO
COLSTRIP TRANSMISSION FACILITIES
IDAHO
OREGON
EUGENE-MEDFORD INTERCONNECTION
WYO
AC INTERTIE LINES
800 DC INTERTIE TO LOS ANGELES
CALIFORNIA
NEVADA
UTAH

BPA TRANSMISSION SYSTEM

RESOURCE PLANNING, ACQUISITION, AND OVERSIGHT $955,900,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
1. Load, Resource, & Acquisitions Planning	11,470	13,500	14,100
2. Generating Resources RD&D	1,096	3,100	2,700
3. Resource Purchases			
a. Pre-Pacific NW Power Act Acquisitions			
(1) Trojan	47,111	50,200	52,900
(2) WNP-1 and HGP	262,876	263,700	264,000
(3) WNP-2	372,401	386,600	362,400
(4) WNP-3	206,807	194,200	199,900
b. Pacific NW Power Act Acquisitions	4,884	9,000	11,300
4. Resource Oversight	1,002	1,400	1,800
5. Power Purchases	10,095	2,200	2,200
6. Wheeling/Other	32,585	43,400	44,600
TOTAL	950,327	967,300	955,900

Under Sections 5(b) and 6(a)(2) of the Pacific Northwest Power Act, BPA supplies the net firm power requirements of each requesting Pacific Northwest utility customer, including publicly owned systems, cooperatives, and investor-owned systems. In addition, BPA supplies power to its direct-service industrial (DSI) customers and to certain Federal agencies. BPA serves 117 municipalities, cooperatives, and public utility districts, 6 Federal agencies, and 8 privately owned utilities.

Through the Resource Planning, Acquisition, and Oversight program, BPA identifies the Administrator's load obligations, plans for the development of resources, and acquires resources as needed.

Because of its unique nature, the residential exchange which was included in this program in previous BPA budgets is now shown as a separate program.

1. Load, Resource, and Acquisitions Planning $14,100,000

This element of the program covers staff costs and related obligations for forecasting future energy and power loads, investigating potential resources, and developing programs to acquire resources. All of these planning functions are a prerequisite for BPA's implementation of the Pacific Northwest Electric Power and Conservation Planning Council's (Planning Council) Northwest Conservation and Electric Power Plan (Power Plan). The Power Plan provides guidance for meeting the electricity requirements of the Northwest in the next 20 years.

BPA's funding of forecasting activities will provide long-term (20-year) forecasts necessary to assess the Administrator's contractual load obligations for use in regional resource planning and for transmission system planning. It will also yield detailed mid- and near-term forecasts required for rate setting, interutility operations planning, and planning and design of customer service facilities.

Funds are also included for economic studies to determine the relative value of alternative resource policy, program, or project decisions. To conduct these studies BPA assembles and maintains a large data base, and uses several comprehensive planning models. These include the System Analysis Model, the Financial Analysis Model, the Decision Analysis and various issue-specific decision analysis models.

This program element also includes costs for updating BPA's Resource Strategy, an annual document containing load-resource planning information for both conservation and generating resources. (Funding for the resource projects themselves is shown in the Pacific Northwest Power Act Acquisitions element of this program and in the Conservation Program.)

Finally, engineering support for BPA organizations involved in the planning, acquisition, or oversight of generation resources is also included in this line item. Under this program element, BPA engineers evaluate or verify information on current or proposed generating projects. The level of effort in engineering support remains relatively constant. Funding for this work was included in the Generating Resources RD&D line in previous budget presentations, but is being included with the planning activities it supports in this document. It differs from RD&D in being project-specific.

2. Generating Resources RD&D $2,700,000

This element of the program covers BPA's Generation Conversion Technology Research, Development, and Demonstration Program (RD&D). In contrast to the project-specific engineering support described above, the purpose of BPA's RD&D program is to develop general information about types of resources for long range resource planning.

During the past decade, BPA and others have developed a large body of information from pilot and demonstration studies of emerging generation technologies. Over the next few years, emphasis will be on refining and analyzing that data and comparing it with BPA's projections of future commercial resource requirements. During FY 1985, BPA developed RD&D project selection criteria which will be used to screen future proposed projects. Studies currently being funded and projects being considered cover a variety of technologies including biomass cogeneration, wind, geothermal, solar, hydropower, and generation integration. BPA makes maximum use of co-funding and related work by EPRI and others.

The decrease in current estimates for RD&D from BPA's FY 1986 Congressional Budget is due to two factors: 1) an actual decrease in BPA's Generating Resources RD&D program scope during the current extended period of energy surplus; and 2) the shift of between $2 and $3 million in engineering support funding from this line item to the Load, Resource, and Acquisitions Planning program element, as described above.

3. Resource Purchases $890,500,000

a. Pre-Pacific NW Power Act Purchases $879,200,000

During the 1970's BPA, generating project owners, and certain BPA preference customers (public utilities, municipal electric systems, and cooperatives with statutory priority to power from the Federal System) entered into a series of contracts called net-billing agreements 1/ to acquire the capability of various thermal plants in the PNW.

Through these agreements, BPA has contracted to acquire all or part of the power generating capability of three nuclear power plants--WNP-1, WNP-2, and WNP-3--being constructed by the Washington Public Power Supply System (Supply System) in Washington State. BPA has acquired the entire capability of WNP-1 and WNP-2, and 70 percent of WNP-3. WNP-2 began commercial operation on December 13, 1984. WNP-1 and WNP-3 are now approximately 65 percent and 75 percent complete, and are being maintained in a preservation state pending restart of construction. Under the terms of the net-billing agreements, BPA began paying debt service and related costs for WNP-1 in July 1980, for WNP-2 in January 1977, and for WNP-3 in July 1982.

In September 1985, BPA and the four investor-owned utilities who own 30 percent of WNP-3 reached a settlement agreement concerning their suit against BPA for delaying construction of WNP-3. Damages from the suits could have exceeded $2.0 billion, if successful.

The settlement provides for an exchange of energy between BPA and the four utilities and for BPA to pay for 100 percent of WNP-3 Preservation Costs. The amount of power to be exchanged is dependent upon the performance of four surrogate nuclear plants similar in design to WNP-3. If these plants perform as expected, BPA will exchange approximately 193 average megawatts of energy to the utilities each year. In return, the utilities will provide BPA with 1) payments based on the costs of operating and maintaining the surrogate plants or WNP-3 if it is operated; 2) the opportunity to use their combustion turbines, if needed; and 3) the opportunity to complete, operate, and use their 372 megawatt share of WNP-3, if and when constructed. Before the construction of WNP-3, BPA would have to acquire the utilitites' interest in the capability of WNP-3 through a public process as provided for in the Pacific Northwest Power Act.

Final court approval of the settlement is pending.

(1) Trojan Nuclear Plant $52,900,000

BPA acquired Eugene Water & Electric Board's (EWEB) 30 percent share of the Trojan Nuclear Plant (Trojan). Trojan is a 1,130 MW plant located near Rainier, Oregon, it became operational in May 1976. BPA acquired the Eugene Water & Electric Board's 30 percent share of Trojan through net billing agreements entered into with public and private utilities to obtain power from the Hanford Generating Project (HGP).

Costs associated with Trojan are paid to EWEB either through net-billing or cash payments. EWEB then pays its share of Trojan's annual costs to Portland General Electric, the project owner. The planned FY 1987 BPA payment of $52.9 million will cover EWEB's share of Trojan's Operation and Maintenance, nuclear fuel, capital additions, and debt service on EWEB bonds and certain other related costs. Variations from year-to-year reflect different annual fuel disbursements, and gradually escalating operating costs.

(2) Supply System $826,300,000

(a) WNP-1 and Hanford Generating Project (HGP) $264,000,000

The Hanford Generating Project (HGP) is a Supply System plant on the Hanford Nuclear Reservation in eastern Washington that is powered by by-product steam from DOE's adjacent N Reactor.

1/ Under net-billing, credits equal to preference customer participants' obligations to BPA for power and other services are given to those participants by BPA on their monthly power bills. The participant then pays an equal amount to the generating project for its share of the project. As a result of this process, BPA acquires the participant's shares of the projects. If a participant's net-billing capability is insufficient to pay its share of the project's annual costs, BPA makes up the difference in payments directly to the project owner.

In July 1983, new ten-year contracts went into effect providing for the Supply System's purchase of steam from DOE and for BPA and the Supply System to continue funding and operation of the HGP. Under provisions of the WNP-1 Exchange Agreement and Net Billing Agreement, the debt service of HGP is paid by the WNP-1 public agency participants through the WNP-1 Annual Budget. These agreements also provide for the WNP-1 public agency participants to pay any HGP operating costs which remain after accounting for the payments of HGP operating costs by the private utilities participating in HGP. Currently the private utilities are obligated to pay 28 percent of HGP operating costs. The public agencies participating in HGP exchange their rights to HGP energy for firm power equal in value delivered from BPA. Although HGP annual budgets are reviewed and approved separately each year by BPA, the public agencies' share of the operating costs for HGP do not show as a separate line item in BPA budgets.

The FY 1987 WNP-1 budget contains HGP debt service and the public agencies' share of HGP operating costs, in addition to WNP-1 debt service and related costs. The two investor-owned utilities share of operating costs is paid through trust fund arrangements. The Reimbursable section of this document contains these costs.

In 1982, the Supply System Board of Directors authorized an extended construction delay on WNP-1, a 1,250 MW pressurized water reactor plant located near Richland, Washington, for up to 5 years because of declining load forecasts and financing difficulties. The Supply System has paid cash requirements for the construction delay program with funds from bond sales made prior to the deferral.

BPA's FY 1986 Congressional Budget assumed that WNP-1 construction would resume in FY 1989. BPA's Draft 1986 Resource Strategy reviewed the anticipated regional loads and least cost resources available to meet those loads.

The Draft Strategy concluded that the probability of there being a need to restart construction of WNP-1 through FY 1991 was not large enough to warrant the inclusion of constuction restart costs in the out year estimates of BPA's FY 1987 Budget. The decrease in the FY 1989 through FY 1991 budget estimates reflects the decrease in debt service requirements associated with deferring construction beyond FY 1991. This assumption, as well as the appropriate level of preservation activity to maintain WNP-1, will be addressed in a subsequent policy study process to begin in early 1986.

(b) WNP-2 .... $362,400,000

WNP-2, an 1,100 MW boiling water reactor plant located near Richland, Washington, began commercial operation in December 1984. FY 1985 and FY 1986 contain funding for WNP-2 debt service and related costs, operating costs, and construction completion costs. In FY 1987 the cost of completing final deferred construction items is expected to be offset by recoveries from contract closeouts and proceeds of salvage sales.

The FY 1987 estimate also includes $1.8 million for an insurance premium on Nuclear Electric Insurance Limited excess nuclear property insurance for damage over $500 million on WNP-2 (NEIL II), which will be paid directly by BPA rather than through the Supply System budget. Although it is not included as a budgeted obligation, BPA must also be prepared to pay a retrospective premium adjustment of approximately $10 million in the event that one of the participating utilities in NEIL II has an accident with property damage in excess of $500 million.

(c) WNP-3 .... $199,900,000

WNP-3 is a 1,240 MW pressurized water reactor plant located near Satsop in western Washington. Like WNP-1, it is currently in a construction preservation state necessitated by the unavailability of financing and delay in need for its power. It is anticipated that construction will not resume until after FY 1991.

Obligations for WNP-3 include 100 percent of the costs associated with preservation as well as debt service and related costs for outstanding bonds. The FY 1987 estimated obligations for WNP-3 are higher than those forecast in BPA's FY 1986 Congressional Budget, due to higher preservation costs attributable to the settlement agreement reached with the four investor-owned utilities. The decrease in the FY 1988 through FY 1991 budget estimates from the FY 1986 Congressional Budget reflects the decrease in debt service requirements associated with deferring construction beyond FY 1991. Increased preservation costs have been provided in the budget for fiscal years 1988 through 1991 to preserve the plant during this period. The assumptions regarding construction restart and preservation expenditure levels will be reviewed in a policy study process scheduled to begin in early 1986.

b. Pacific Northwest Power Act Acquisitions $11,300,000

The current electric power forecast indicates that, under medium load conditions, the region will have a substantial surplus until the mid to late 1990's. However, because there is considerable uncertainty that the region will actually experience such load conditions, BPA's Resource Strategy provides for insurance against higher-than-anticipated loads.

Consistent with that Strategy, BPA is developing programs which provide flexibility for meeting unexpectedly rapid load growth without prematurely committing BPA to large-scale acquisition programs. These programs, described below, account for the increases in this line item between FY 1985 and FY 1986.

(1) Options $6,000,000

By purchasing an option to acquire a resource at a later date, BPA obtains the flexibility to decide at some point in the future whether a specific generating resource should be acquired or constructed. BPA's purchase of options pays for all pre-construction costs of these specific resources. In exchange for those payments, BPA acquires the right to control the start of construction and the construction schedule of a project. BPA will purchase options on projects which have already been constructed or can be constructed so as to be available when needed. A successful options program will help ensure that BPA will be able to meet load obligations beyond the medium load forecast, without committing the agency prematurely to costly construction programs or outright acquisitions.

A limited hydro options program was implemented during FY 1985. BPA solicited projects and will negotiate options contracts with sponsors of various categories of hydro projects. This budget provides $2,300,000 for funding the costs of these hydro options during FY 1987.

BPA is also providing for purchase of cogeneration options as part of this effort to plan under a variety of uncertain conditions. Up to 20 average MW of options on cogeneration projects at a cost of $1,000,000 is provided for FY 1987. These options will assist potential cogenerators who are making plant modifications to make the incremental investment necessary to permit addition of generation equipment at a later date. The initial investment is minimized since the generating equipment is not purchased until the option is exercised.

This portion of the budget also provides $2,700,000 for options on other generating projects which are cost-effective in the long run and would be lost to the region if they were not acquired by BPA during the fiscal year.

(2) Resources Under Contract $5,300,000

BPA has entered into one contract to acquire a resource under the Pacific Northwest Power Act, the City of Idaho Falls Hydroelectric Project. BPA is purchasing energy from three units at the City's 27 MW bulb-turbine hydroelectric project. No additional contracts are planned as part of the FY 1987 budget.

4. Resource Oversight $1,800,000

This portion of the program covers BPA's in-house and contract costs for overseeing the financing, budget, fuels management, power marketing, and construction of the Supply System Projects, Trojan, and acquisitions made under the Pacific Northwest Power Act.

BPA oversight of the Supply System projects is consolidated in a Program Office located at Supply System headquarters in Richland, Washington. The Program Office is the focal point for oversight of the Supply System projects and the primary channel of communication and coordination between BPA and the Supply System. The Program Office is supported by staff at Bonneville headquarters in Portland in such areas as litigation, financing, ratemaking, and special studies and analyses.

A portion of the funding for oversight covers work by staff in BPA's Portland headquarters for overseeing the operation of the Idaho Falls Hydroelectric Project and the net-billed portion of the Trojan Nuclear Plant.

5. Power Purchases $2,200,000

This program element is for BPA purchase of power for resale to other parties or for the efficient operation of the power system. Variations in the terms of the Service and Exchange Agreements, BPA rates, and river regulation affect the amounts budgeted for Power Purchases. All disbursements are more than offset by revenues when the power is resold.

6. Wheeling/Other $44,600,000

This portion of the budget covers five types of costs. First, in instances where Federal transmission is not available, BPA pays utilities for transmitting Federal power over non-Federal facilities. Second, BPA pays various other charges associated with benefits accruing to downstream projects resulting from coordinated operation of Federal and non-Federal generating projects. Third, BPA pays other parties to store energy in their reservoirs or in the fuel supply for thermal powerplants. Fourth, BPA will pay its customers for maintaining BPA's facilities when it is in BPA's economic interest to do so. Finally, BPA will lease utilities' facilities when those facilities are required for delivering Federal power.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

RESIDENTIAL EXCHANGE $1,109,600,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
1. Residential Purchase and Sale Agreement (RPSA)	1,007,526	1,082,200	1,107,600
2. Exchange Transmission Credit Agreement (ETCA)	1,312	2,000	2,000
TOTAL	1,008,838	1,084,200	1,109,600

The Pacific Northwest Power Act created the residential exchange program to extend the benefits of low-cost Federal power to the residential and small farm customers of investor-owned and publicly-owned utilities. Although it appears to be primarily a power transaction and is so treated in BPA's rate proceedings, the residential exchange is not a power transaction in the conventional sense, but rather a subsidy program. In effect, the program acts to lower the rates paid by the residential and small farm customers of exchanging utilities. No power is transferred to or from BPA.

The first, and by far the largest, element of the program is the Residential Purchase and Sale Agreement (RPSA). The paper transaction operates as follows: BPA must acquire certain amounts of power offered for sale by Pacific Northwest electric utilities. That power is acquired at each utility's "average system cost", which includes both generation and transmission costs. In exchange, BPA must sell an equivalent amount of electric power to the participating utilities for resale to the utilities' residential and small farm customers within the region. The power is sold at BPA's Priority Firm (PF) Rate, which is generally lower than the utilities' average system cost. Since the same amount of power is involved, the "sale" of power is an accounting procedure used to determine the amount of subsidy to be received by customers of exchanging utilities. In practice, only dollars are exchanged.

The Exchange Transmission Credit Agreement (ETCA), the second and much smaller component of the residential exchange, is available to BPA's public utility and cooperative customers and limits their payments to the cost of their transmission facilities. The payments, however, cannot be greater than the amount that the utility would receive if it had participated in the RPSA. ETCA costs amount to approximately $2 million of the total $1,109.6 million for residential exchange in FY 1987.

During FY 1986, 25 utilities will participate in the Residential Purchase and Sale Agreement program. Between 7 and 12 utilities are projected to participate in the ETCA during FY 1986. Comparable levels of participation are expected in FY 1987. The FY 1986 and FY 1987 costs of the RPSA are derived from the new methodology for calculating the utilities' average system costs. After July 1, 1985, the net cost of the program (the difference between the utilities' average system cost and BPA's PF Rate) will be recovered from all BPA's customers. The net cost, or subsidy, in FY 1986 and FY 1987 is estimated at $217 million and $228.6 million, respectively.

Increases from year to year in exchange costs are due to combinations of four factors: increases in utilities' average system costs, load growth, new utilities entering the exchange, and the level of BPA's own rates.

Although previously included in BPA budgets as part of the Resource Planning, Acquisition, and Oversight Program, the residential exchange is displayed for the first time in this document as a separate program. It has been broken out in this presentation because of its magnitude and the fact that it does not serve the unifying program purpose of providing resources to meet the Administrator's load obligation that the rest of the elements in the Resource Planning, Acquisition, and Oversight Program serve.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

ENERGY CONSERVATION $117,500,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
1. Residential Programs	63,585	59,200	56,200
2. Commercial Programs	28,990	24,100	32,200
3. Industrial Programs	692	9,200	15,100
4. Agricultural Programs	2,291	200	2,700
5. Public Agencies and Customers	11,534	14,300	25,200
6. Program Development	28,382	8,700	7,800
SUBTOTAL, Planned Conservation	139,474	115,700	139,200
(Undistributed Reduction) 1/	--	-8,900	-21,700
TOTAL BPA FUNDED CONSERVATION	139,474	106,800	117,500

The Pacific Northwest Power Act requires BPA to treat conservation as the region's highest priority electric power resource in planning to meet the Administrator's load-serving obligations. This program reflects the costs associated with meeting that objective.

In formulating the FY 1987 Conservation Program, BPA reexamined conservation program levels in the context of a newly revised load forecast and current levels of conservation program participation. BPA also reexamined the Conservation Program in light of the emphasis placed on pilot, demonstration and evaluation efforts called for by the Pacific Northwest Electric Power and Conservation Planning Council's (Council) Northwest Conservation and Electric Power Plan (Power Plan), including the need to moderate near-term rate impacts.

This reassessment resulted in a shift of emphasis from near-term energy and capacity acquisition efforts to development of a flexible capability to acquire savings in the future when they are needed. While the program that is proposed under this concept will result in some short-term savings, the main intent is to build capability on the part of BPA, its utility customers and government agencies which can be implemented on short notice.

This has resulted in reductions in the residential programs from $67.6 million in FY 1985 to $56.2 million in FY 1987. Over the same period, funding for commercial and industrial programs will increase by $17.6 million to investigate how the high savings potential of these areas might be used in the future.

The $10.9 million increase over FY 1987 for the Public Agencies and Customers subprogram is almost entirely for initial implementation of Model Conservation Standards (MCS) in

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1/ Undistributed Reduction: Funding adjustment to scheduled program provides for program reductions, and slippages due to unidentified delays. Changing regional circumstances may require adjustments within the funding level between subprograms or programs.

new structures. MCS has a high priority because of the very cost-effective and long term energy savings that result due to the life of the structures. New buildings also represent lost opportunities if conservation is not incorporated in the initial construction.

Overall, the reassessment results in a planned Conservation budget level of $139.2 million in FY 1987. This planned budget level is supplemented by another $23.9 million from non-BPA sources for a total Conservation Program in the region of $163.1 million. BPA also expects additional investments (as yet unquantified) will indirectly result from its conservation activities.

However, BPA expects to fund the Conservation Program at $117.5 million (see footnote on previous page). The table at the end of this narrative describing the major conservation categories summarizes the planned program levels, including both Federal and non-Federal contributions.

1. Residential Programs $56,200,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
a. Residential Weatherization	59,950	54,200	48,500
b. Solar/Heat Pump Water Heating	2,337	300	1,900
c. Appliance Efficiency	754	1,000	900
d. Residential Promotion	4,544	3,700	4,900
TOTAL	67,585	59,200	56,200

The purpose of the Residential Programs is to reduce loads in the residential sector by increasing the energy efficiency of residential structures and appliances. Program activities include energy efficiency improvements in existing housing, encouraged use of solar and heat pump technologies, appliance efficiency improvements, and a marketing effort to promote energy conservation in new homes.

a. Residential Weatherization $48,500,000

Residential Weatherization provides for retrofitting the existing electrically heated housing stock. Insulation and such house-tightening measures as storm windows, caulking, and weatherstripping are included. BPA will continue to make a special effort to increase participation of low-income electricity consumers, through utilities and States. BPA's funding level of $48.5 million for this program reflects a $5.7 million reduction from FY 1986 levels. It includes incentive payments to enable BPA's utility customers to separately finance an additional $8 million of weatherization in their service areas. The utilities will also contribute through cost-sharing about $3.9 million for weatherizing homes in their service areas. Weatherization provides the equivalent of 12.3 average megawatts at 26 mills/kWh.

b. Solar/Heat Pump Water Heating $1,900,000

The Solar and Heat Pump Water Heating project is designed to test the effectiveness of marketing and financial incentives as a method of encouraging residential electricity users to install either solar or heat pump water heating devices. BPA has selected 11 utilities to test a low promotion level of effort versus a high promotion level to determine the most cost effective delivery mechanism and incentive level for acquiring energy savings in this area of the residential sector. The consumer contribution to this program through purchase of units is expected to be $3.0 million.

c. Appliance Efficiency $900,000

The Appliance Efficiency program provides information to consumers on the relative energy efficiency of major home appliances. In addition, BPA intends to conduct field tests to assess the effect of offering financial incentives for energy efficient appliances on energy savings, costs and penetration rates.

d. Residential Promotion $4,900,000

The major component of this program is Super Good Cents, which is a promotion and certification program for new housing meeting the Council's Model Conservation Standards. It is implemented through BPA's participating customer utilities.

Other program components are (1) the promotion of homes that meet the Federal (HUD) Manufactured Home Construction and Safety Standards and the thermal levels of the Council's Model Conservation Standards, (2) test financial mechanism's through lending institutions, (3) support from marketing contractors, and (4) an energy education program for students and teachers throughout the four state region.

2. Commercial Programs $32,200,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
a. Commercial Conservation	26,946	22,100	30,100
b. Street & Area Lighting	2,044	2,000	2,100
TOTAL	28,990	24,100	32,200

This planned level is a $8.1 million increase from the FY 1986 funding level, mostly due to increased activity in the Commercial Retrofit Program for Purchase of Energy Savings (PES) and the Commercial Building Incentives Program.

a. Commercial Conservation $30,100,000

The major components of Commercial Conservation are the Retrofit Program, the Institutional Buildings Program, the New Commercial Buildings program and the Commercial Education and Technical Assistance Program.

The Commercial Retrofit Program is designed to use a full range of financial incentives and delivery mechanisms to achieve conservation measures in an economic and geographic cross-section of commercial buildings. BPA's Purchase of Energy Savings approach encourages the installation of energy conservation measures in commercial buildings through payments to sponsors from BPA based on energy savings. BPA is also testing a utility operated pilot program which will stimulate conservation in commercial buildings by offering an investment incentive or rebates to building owners. A number of utilities are arranging financing with local lending institutions to provide capital to building owners for the installation of conservation measures. The program will be tested during FY 1986, 1987, and 1988. If the approach is successful the program may continue to operate at minimum levels during FY 1989-1991 to maintain utility capability.

The Institutional Buildings Program provides funding for energy audits, technical analyses, and qualifying retrofit conservation projects in institutional buildings. The program is currently implemented through the four Northwest state governments. Funding covers state administrative costs, building energy auditor training, technical studies, and electric energy savings achieved through retrofits.

The New Commercial Building Incentives Program would use cost-sharing incentives to cover a portion of the costs of conservation measures that substantially exceed the proposed Standards. Specific payments depend on capacity and energy savings achieved in a particular application. These activities support the Council's proposed Model Conservation Standards for the commercial sector.

Technical assistance and education efforts are a critical part of BPA's overall commercial sector conservation strategy. These efforts complement commercial conservation programs by increasing the quality of the work performed and ensuring the reliability of the energy savings. A program to provide technical training to operators of complex commercial buildings is in the design stages. Significant energy savings are available from low cost measures that maintain or restore a building's energy efficiency to optimum efficiency levels. In addition, this training is essential to insure that BPA investments in energy efficiency measures and property are maintained over their useful life. A significant share of the regional commercial load is found in chain stores and franchises. BPA is currently investigating the decision-making structure of the top 20 chains in the region, and in FY 1987 will provide technical assistance for conducting energy analysis, and support a portion of the cost of retrofitting a demonstration store in each chain or franchise.

The energy savings to be acquired in the Commercial Programs during FY 1987 is 9.1 average megawatts at 18 mills/kWh.

b. Street and Area Lighting $2,100,000

The Street and Area Lighting Program provides funds for the replacement of outdoor lighting fixtures and associated hardware with more energy-efficient lamps. BPA reimburses participating utilities and States for labor, administrative, and materials costs (up to a designated limit) for replacing fixtures and bulbs during normal maintenance. BPA's customer contribution through cost-sharing is $77 thousand. This program is scheduled to end with the FY 1987 funding. The energy savings to be acquired in FY 1987 is 1.9 average megawatts at 13 mills/kWh.

3. Industrial Programs $15,100,000

The Industrial Programs are planned to operate at a $5.9 million increase over FY 1986, primarily due to increased efforts to acquire site-specific conservation projects in the aluminum and other industries.

The Industrial Sector represents the largest and most diverse electrical energy usage in the Region. Because of this, improvements directed to industrial end-uses offer the potential for significant energy savings. Options for various industrial programs have been under consideration for several years. The three components of this activity are the Industrial Test Project, Site-specific projects and the Education and Technical Assistance Program.

BPA has implemented the Industrial Test Project (ITP) to determine if standards of electrical energy use and savings can be designed and applied to selected Standard Industrial Classification (SIC) codes. Through a competitive bidding process, BPA selected five contractors to conduct 25 energy analyses in three industrial groups: foods and food processing (SIC-20); wood products (SIC-24); and pulp and paper (SIC-26). The experience gained will help BPA adopt standards for estimating that could be applied within the industry, obtain a realistic assessment of analysis costs, and examine industries energy conservation decisionmaking characteristics, criteria and marketing attitudes.

The Industrial Site-Specific Project is an annual solicitation to encourage others outside BPA to design and carry out site-specific conservation projects. The program has evolved from the 1984 and 1985 sponsor-designed solicitations, with three of the seven contracts awarded in the 1984 round going to industrial projects. The sponsor-designed solicitation allows them to identify site-specific activities to conserve energy and seek BPA's financial support to carry out the projects.

BPA is developing a comprehensive Education and Technical Assistance Program for the Industrial Sector. This effort is being designed to reach different audiences on a variety of subjects through several media. Audiences include building owners, designers, developers, architects, engineers, energy service companies, utilities, banks and manufacturing representatives.

4. Agricultural Programs $2,700,000

Funding for this program is planned to increase $2.5 million over the FY 1986 level, through expansion of the Irrigated Agriculture program from the pilot phase into a regional acquisition program.

Farming is capital-intensive, and farmers have historically invested first in land and second in field equipment directly related to cultivation and harvesting. Improvements in irrigation equipment have ranked low in their priorities. Yet, acquired energy savings in this sector are very cost effective.

The Irrigated Agriculture Program involves change-over to low pressure irrigation equipment and changes in water scheduling that will shift energy usage to earlier in the year, reduce energy consumption, and shave peak loads. This program was developed and implemented in cooperation with utilities, State and Federal agricultural agencies, and the land-grant universities. The pilot phase of this activity was completed with FY 1985 funds. In FY 1986, various private financing mechanisms are being explored. This program will move into a full regional acquisition program in FY 1987, with utilities contributing $192 thousand through cost-sharing. This program provides the equivalent savings of 1.7 average megawatts at 15 mills/kWh.

5. Public Agencies and Customers $25,200,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
a. Model Conservation Standards/ State and Local Gov't Asst.	11,181	14,300	25,200
b. Customer System Efficiency	353	0	0
TOTAL	11,534	14,300	25,200

The proposal represents a planned increase of $10.9 million over FY 1986. The majority of this increase is for support of the Council's Model Conservation Standards implementation. Another significant part of the increase is the start of the Residential Construction Demonstration Project.

The purpose of these programs is to encourage BPA's customers and State and local governments to implement energy conservation measures and programs throughout the region. The only program funded in FY 1987 is the Model Conservation Standards/State & Local Government support programs. That Program involves three major categories of activities: 1) Model Conservation Standards Implementation Support, 2) State & Local Government Assistance, and 3) Demonstration & Technical Support.

As part of the Model Conservation Standards effort, the Model Conservation Standards Implementation Support subprogram involves direct BPA financial assistance for the adoption/enforcement of the MCS, and incentives for builders constructing homes to the MCS levels of energy efficiency. The Code Adoption Demonstration Program (CADP) currently provides financial assistance to local jurisdictions who adopt the MCS as a building code before a January 1, 1986, deadline. The program also provides builder incentives to cover a portion of the incremental costs of building to the standard. Based on current Council deliberations, it appears likely that the mandatory adoption date of January 1, 1986, for the MCS will be delayed until January 1, 1987 or 1989. With such a delay, the CADP will be extended to allow participating jurisdictions to continue receiving support and will open up the program for more early adopters between now and the adoption date. This is consistent with the findings in other parts of the nation that "codes follow practice."

The Model Conservation Standards Implementation Program (MCSIP) is intended to provide financial assistance to those jurisdictions who adopt and enforce the MCS after the mandatory adoption date. The program reimburses jurisdictions for their incremental costs of inspecting for compliance to the MCS.

The New Home Incentive Program provides direct financial incentives to builders/homeowners for the construction of new residential structures at MCS levels of energy efficiency. The program would be designed to stimulate a rapid increase in energy-efficient building practices.

State and Local Government Assistance involves direct financial assistance to the Northwest States and local governments for supporting MCS adoption and completing other conservation activities. State Technical Assistance Program provides financial support to the States of Oregon, Washington, Idaho and Montana to carry out energy conservation education, training and technical assistance for consumers, the building construction industry, small businesses, farmers, local governments, and others. The Local Government Financial Assistance Program provides financial grants to local governments for specific energy conservation activities.

The Demonstration and Technical Support Project involves two demonstration projects and several small contracts involving MCS, MCS compliance, training and oversight, environmental studies, and other technical support activities. The Residential Standards Demonstration Program (RSDP) involves the construction of 450 homes to the MCS for the purpose of comparing their cost and thermal performance to typical new homes. It also provides an opportunity for builders to construct homes meeting the MCS and to understand better the practical realities of building homes in this manner.

The Residential Construction Demonstration Project is a new demonstration project designed to test innovative building features and/or techniques for the purposes of continuing MCS construction experiences and advancing the state of the art in building practice. Builders would be eligible to receive an incentive for the construction of a new MCS home as long as they incorporate one or more new features or techniques in the construction of the home.

The States will contribute $544 thousand through cost-sharing, and homeowners will spend about $8.1 million in incremental costs for homes that meet the MCS.

6. Program Development $7,800,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
a. Hood River Project	6,292	1,200	100
b. Assessment and Evaluation	20,333	3,900	4,100
c. Conservation RD&D	1,757	3,300	3,300
d. Engineering Technical Support	0	300	300
TOTAL	28,382	8,700	7,800

a. Hood River Project $100,000

The $100 thousand request in this area reflects the winding down and completion of the Hood River Project. This major case study of marketing techniques and an aggressive residential retrofit effort initiated in FY 1983 will provide a test of the effects and limits of conservation achievement in existing residential buildings.

b. Assessment and Evaluation $4,100,000

The Assessment and Evaluation activity includes: (1) investigation, development, and implementation of external financing mechanisms and approaches in order to supplement BPA's borrowing authority; (2) evaluation of conservation programs to ensure effective and economic program efforts; (3) assessments of the conservation potential available in the region as well as factors that influence implementation of conservation measures; and (4) the development of data and models to analyze issues of importance to conservation resource development such as incentive design, consumer response, and forecasts of energy savings.

c. Conservation Research & Development $3,300,000

The Conservation RD&D projects include actions designed to verify existing Technologies, and to develop new technologies.

The Council's Plan specifically mentions demonstration projects in the Agricultural sector. Five projects are proposed for FY 1986-1987, including Deficit Irrigation, Basin Tillage, Low Energy Precision Irrigation, and Current Status of Flow Meters. In the commercial sector projects are proposed in the areas of lighting, supermarket refrigeration and ventilation air tempering. Projects concerning aluminum smelting, lumber and wood products and electric motor controllers are planned for the industrial sector. Residential sector projects include indoor air quality, appliance efficiencies, and building shell improvement products and techniques. There are also projects for improving efficiencies in the utility sector.

d. Engineering Technical Support for Conservation $300,000

This program provides for engineering support for the Conservation programs. Activities include development of identified technical data, investigations, reports, evaluations and product approvals required to support program design or operating programs.

SUMMARY OF CONSERVATION PROGRAM
(Including BPA and Non-Federal Funding)
(in thousands of dollars)

	FY 1985		FY 1986		FY 1987	
	Actual Oblig.	Estimated Energy Savings*	Estimated Budget Require.	Estimated Energy Savings*	Estimated Budget Require.	Estimated Energy Savings*
RESIDENTIAL PROGRAMS						
Residential Weatherization	59,950	87.4	54,200	99.6	48,500	109.8
Solar/Heat Pump Water Heating	2,337	--	300	—	1900	--
Appliance Efficiency Program	754	--	1,000	--	900	--
Residential Promotion	4,544	--	3,700	—	4,900	--
Non-BPA Funding	0	—	15,000	3.1	14,900	5.9
Subtotal	67,585	87.4	74,200	102.7	70,200	114.9
COMMERCIAL PROGRAMS						
Commercial Conservation	26,946	21.8	22,100	26.1	30,100	35.2
Street and Area Lighting	2,044	10.7	2,000	12.5	2,100	14.4
Non-BPA Funding	0	—	100	--	100	—
Subtotal	28,990	32.8	24,200	38.6	32,300	49.6
INDUSTRIAL PROGRAMS						
Industrial Conservation	692	0.3	9,200	1.8	15,100	5.1
AGRICULTURAL PROGRAMS						
Irrigated Agriculture	2,291	3.3	200	3.4	2,700	5.0
Non-BPA Funding	0	--	0	—	200	0.1
Subtotal	2,291	3.3	200	3.4	2,900	5.1
PUBLIC AGENCIES & CUSTOMERS						
MCS/State & Local Gov't. Sup.	11,181	--	14,300	--	25,200	--
Customer System Efficiency	353	--	0	--	0	--
Non-BPA Funding	0	—	4,000	--	8,700	--
Subtotal	11,534	--	18,300	--	33,900	--
PROGRAM DEVELOPMENT						
Hood River Project	6,292	3.9	1,200	3.9	100	3.9
Assessment & Evaluation	20,333	—	3,900	—	4,100	—
Conservation RD&D	1,757	--	3,300	—	3,300	—
Engr. Technical Support	0	--	300	--	300	--
Subtotal	28,382	3.9	8,700	3.9	7,800	3.9
TOTAL CONSERVATION PROGRAM	139,474	127.4	134,800	150.3	163,100	178.6
Less: NON-BPA FUNDING	0		-19,100		-23,900	
TOTAL BPA PLANNED CONSERVATION	139,474		115,700		139,200	
(Undistributed Reduction)	--		-8,900		-21,700	
TOTAL BPA FUNDING	139,474		106,800		117,500	

* Energy savings are shown in annual average megawatts, cumulative as of the end of each year. The savings shown in FY 1987 include the savings achieved as a result of expenditures during FY 1982 - FY 1987.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

SYSTEM PLANNING AND CONSTRUCTION $187,100,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
System Planning and Construction			
1. Facilities Underway (Carryover)	136,182	256,215	57,000
2. Proposed System Additions for FY 1987	--	--	120,900
3. Revenue Funded Construction Expenses	11,191	15,900	16,300
SUBTOTAL, Planned Construction Program	147,373	272,115	194,200
(Undistributed Reduction) 1/	--	-22,215	-7,100
TOTAL	147,373	249,900	187,100

This program provides budget authority and resources for planning and construction of new or improved transmission lines, substations, control systems, and general facilities for the transmission system of the Federal Columbia River Power System (FCRPS) in the Pacific Northwest.

Under its legislative provisions, BPA constructs improvements, betterments, and additions to and replacements of the transmission system required to:

- integrate and transmit the electric power from existing or additional Federal or non-Federal generating units;
- provide service to BPA's customers;
- provide interregional transmission facilities; or
- maintain the electrical stability and electrical reliability of the Federal system.

To determine BPA's system planning and construction requirements, BPA in conjunction with its customers and other regional utilities prepares load forecasts for each substation on the transmission system. The electrical operation of the system is then modeled to identify reliability and efficiency problems and to determine system requirements. Subsequent engineering analysis produces a solution which will meet the reliability criteria of BPA and the interconnected western U.S. utilities (Western Systems Coordinating Council), and prudent utility practice and industry standards. This engineering solution results in BPA budget items for main grid, area, and customer service transmission system additions.

In FY 1985, almost 80 percent of the construction program has been performed by contract with private sector firms. The budget for FY 1986 and FY 1987 continues this approximate ratio of force account to contract construction. The higher level of

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1/ Undistributed Reduction: Funding adjustment to scheduled program provides for program reductions, and slippages due to unidentified delays. Changing regional circumstances may require adjustments within the funding level between subprograms or programs.

funding in FY 1986 compared with the level of funding FY 1985 and FY 1987 results from award of the DC Terminal Expansion turnkey contract in early FY 1986. The contract was originally scheduled for award in FY 1985.

Key objectives of the program in FY 1987 are to: (1) initiate system reinforcements of the Federal grid to support construction of transmission facilities in the Pacific Southwest for a Third AC intertie of approximately 1600 MW capacity; (2) acquire a second host processor for the main frame computer for continued expansion through 1990; (3) acquire office systems that accommodate BPA's move into the new Federal Building East; (4) replace the Dittmer Control Center's 16-year-old dispatch and power scheduling system (RODS), (5) initiate phase three replacement of BPA's microwave system equipment; (6) complete the third phase of a 15-year program to replace polychlorinated biphenyl (PCB) contaminated electrical equipment on the BPA system; and (7) continue high priority replacement of overloaded power circuit breakers and other worn out or damaged electrical equipment on the transmission system.

As tabulated above, the System Planning and Construction Program includes both capital investments and expense activities. Capital construction includes main grid, area and customer service transmission system additions, general system facilities, and system electric facilities. For FY 1987, BPA's budget includes borrowing authority of $170.8 million for capital construction. BPA's construction expense activities include financial participation in EPRI, BPA's own transmission research and development (R&D) efforts, and impact aid to local governments. BPA's transmission R&D and EPRI activities will require revenue-funding of $16.3 million in FY 1987. BPA anticipates no funding requirement for impact aid in FY 1987.

1. Facilities Underway ("carryover" construction) $57,000,000

The FY 1987 carryover construction program includes $57.0 million, which is approximately one-third percent of the scheduled capital construction for the fiscal year.

The reduced funding level of carryover construction in FY 1987 compared to FY 1986 reflects the completion of a large new start main grid, programs initiated in the early 1980's; reduced level of customer service new start requirements due to the region's continued energy surplus and reduced load growth rates; and increased importance of equipment upgrade and replacement as the system ages and electrical equipment becomes obsolete, worn out or inadequate.

Carryover main grid and area reinforcements are underway to increase transmission capacity, ensure voltage levels and provide for reliability of service and stability of system operations for customers. In FY 1986, BPA will add 509 miles of line, retire 101 miles of transmission, and add six new substations, retire two, and add and retire major equipment at 13 substations. In FY 1987, BPA will add 44 miles of line and retire 22 miles of line. In addition, one new substation will be added, three retired, and major equipment changed at seven substations.

Carryover construction includes high priority funding required to upgrade, replace, and extend power system control (PSC) and general and system electrical facilities and equipment to meet reliability and stability concerns, improve revenues and upgrade system operations and dispatch. Essential general structures underway include four flammable liquid/herbicide storage facilities, six oil-spill containment facilities, and six maintenance facility additions and extensions.

Prominent power system control items underway include replacement of the dispatch and scheduling (RODS) system at the Dittmer Control center; phase four of a revenue metering system at 175 locations; phase one upgrade of the stability control system; and phase two microwave communications equipment replacement.

System electric facilities underway include power circuit breaker and transformer additions and replacements, wood pole replacements for lower voltage facilities, and replacement of polychlorinated biphenyl (PCB) contaminated electrical equipment. These replacement items are growing in importance because of additional environmental laws and regulations, the growing age of the power system, obsolescence of electrical and electronic equipment, and increased reliance on control facilities to effectively operate the Pacific Northwest power system and its interregional interties.

2. Proposed System Additions $120,900,000

The Proposed System Addition ("new start") requirement for FY 1987 is $120.9 million, compared with FY 1986's new start program funding of $79.1 million. These additions include three main grid new starts items, one area service item, and increased requirements for replacement and upgrade of aging, worn out and damaged power system equipment. The funding level of the FY 1987 new start program reflects a continuation of the FY 1986 new start replacement workload level, plus the addition of intertie requirements and replacement of PCB contaminated equipment.

a. Main Grid $40,473,000

The FY 1987 construction program includes no "major transmission facilities" which require specific approval of Congress in accordance with the Federal Columbia River Transmission System Act. There are, however, three main grid new starts for FY 1987.

	Total Cost	FY 1987	Required to Complete
	(in thousands of dollars)		
(1) Eugene-Medford 500-kV Interconnection (Item 102)	9,346	4,643	4,703

BPA will design and construct a 2-mile 500-kV double circuit Alvey-Spencer Transmission line and add two new circuit breakers at Alvey Substation. These facilities will connect a 60-mile 500-kV line being built by Pacific Power and Light Company (PP&L) to the BPA main grid to serve PP&L loads in southern Oregon and support expansion of the AC intertie between the Pacific Northwest and the Pacific Southwest.

Scheduled Energization .... October 1988

	Total Cost	FY 1987	Required to Complete
	(in thousands of dollars)		
(2) Third AC Intertie System Reinforcement (Item 103)	65,818	32,471	33,347

The addition of the Third AC Intertie between the Pacific Northwest and Northern California increases interregional AC Intertie capacity by 1600 megawatts from 3200 megawatts to a total of 4800 megawatts. Integration of the Third AC Intertie to California requires concerted action by all facility owners. The intent of the Northwest Intertie facility owners is to undertake construction of facility modifications and/or new construction necessary to achieve the Third AC.

A short transmission line from Southern Oregon to the California/Oregon border will be constructed. Construction of the new Intertie in the Southwest will also require various system reinforcements in the Northwest to maintain system reliability. BPA and other Northwest intertie facility owners will add or upgrade Northwest electric facilities, including power circuit breakers, series and shunt capacitors, and related equipment at numerous major substations; loop several 500-kV transmission lines into key substations, and upgrade related power system control and dispatch facilities to provide system stability for this Intertie expansion.

The current plan is to make 800 megawatts of the 1600 megawatts of increased Intertie capacity available for use by Pacific Northwest regional utilities. The Northwest owners are investigating terms and conditions for such a subscription. BPA and other Pacific Norhtwest and Pacific Southwest utility interests have been negotiating marketing and other commercial and utility arrangements for the Third AC since early 1985. BPA budget provison for construction allows BPA to be full participant in the Intertie process. If BPA and other facility owners are able to make satisfactory arrangements for use of the Intertie by other Northwest utilities through subscription, facilities related to the Third AC line may be funded by non-Federal participants. Actual construction of Third AC related facilities in the Pacific Northwest will begin only after BPA and other Pacific Northwest Intertie users have determined that this power marketing project is economically feasible.

Scheduled Energization .... May 1990

	Total Cost	FY 1987	Required to Complete
	(in thousands of dollars)		
(3) System Reactive Facilities (Item 150)	5,232	3,359	1,873

The addition of 200,000 kVA reactive capacity to the main transmission grid is part of a continuing program to: 1) Raise the general voltage level of receiver-end substations; 2) Increase the power transfer capability of the system and decrease system losses; and 3) Provide voltage control under normal load variations and system emergency conditions.

b. Area, Customer, and Industrial Services $6,295,000

The FY 1987 Area, Customer, and Industrial Service funding is provided to solve specific area problems or provide increased capacity for customers. Although the region continues to experience low load growth, individual BPA customers and localized service areas experience increased peak load growth or unacceptable voltage levels. The FY 1987 program includes one area service item and requirements for miscellaneous new customer and industrial service facilities. The fiscal requirements of this year's new start program is approximately the same as FY 1986, reflecting the relatively constant growth in power demand by these facilities.

	Total Cost	FY 1987	Required to Complete
	(in thousands of dollars)		
(1) Fossil Area Reinforcement (Item 705)	5,272	2,335	2,937

BPA will construct a 42-mile, 115-kV transmission line between Maupin Substation and its Rajneeshpuram Tap, and replace related 69-kV facilities with 115-kV facilities.

This action is required to provide increased transmission capacity and voltage support to this growing load in central Oregon.

Scheduled Energization .... October 1988

	Total Cost	FY 1987	Required to Complete
	(in thousands of dollars)		
(2) Customer and Industrial Services (Items 770 and 112)	6,263	3,960	2,303

Customer and Industrial Service additions provide transmission facilities to meet increasing loads of specific BPA customers. Types of installations proposed for construction are transmission line extensions from the existing system, and substation facilities to provide service at customers' system voltages. The new facilities in this forecast reflect individual BPA customers' load growth or changing requirements.

c. General System Facilities $59,792,000

The FY 1987 General System Facilities program provides new or improved general structures, power system control systems, utility tools and equipment, general purpose, ADP and office equipment and preliminary engineering of transmission system facilities. Funding requirements for General System Facilities are very similar to the funding level of the FY 1986 program, reflecting the continued influence of facility and equipment replacements and upgrades of the system, contrasted with the system expansion emphasis during past periods of rapid load growth.

	Total Cost	FY 1987	Required to Complete
	(in thousands of dollars)		
(1) General Structures and Improvements (Item 810)	4,515	3,164	1,351

General Structures and Improvements provide specialized equipment and vehicle repair and storage facilities for efficient, safe, reliable system maintenance and construction activities. This item includes additions at six substations to contain potential oil spills as part of a BPA-wide retrofit program. It also includes various building additions and remodeling projects at eight BPA facilities to improve maintenance effectiveness and meet environmental and safety laws and regulations.

	Total Cost	FY 1987	Required to Complete
	(in thousands of dollars)		
(2) Power System Control (Item 820)	16,990	10,459	6,531

Key elements in the FY 1987 program include a second of eight phases of retrofitting power circuit breaker failure protection devices: phase one of a system events monitor; phase three of a communications network for southern Idaho system; phase four of system-wide microwave equipment replacement program; and continued replacement of obsolete power system control equipment throughout the BPA system.

	Total Cost	FY 1987	Required to Complete
	(in thousands of dollars)		
(3) Capital Tools and Equipment (Item 830)			
(a) Utility Tools and Equipment	--	10,283	--
(b) ADP General Purpose Equipment	--	20,491	--
(c) ADP Software Development	--	6,717	--
Office Equipment & Systems	--	4,282	--
		41,773	

BPA capital tools and equipment include several general categories: utility tools and equipment for direct support of power system engineering, construction, operation, and maintenance; general purpose ADP support; development of ADP software; and office furniture and equipment capital items. In FY 1987, this budget item provides more than 900 capital tools and equipment items to design, construct, operate, and maintain BPA's transmission lines, substations, and communications and control facilities and to support data and word processing, office management, and other management services. The FY 1987 program funding is within 10 percent of FY 1986 funding requirements.

(a) Utility Tools and Equipment

This component of tools and equipment provides for the additions and replacements of utility tools and equipment to design, construct, operate, and maintain the electric power system. Included are tools, garage and shop equipment; power operated equipment; material handling equipment; transportation equipment; lab and field test equipment, and power system control test equipment. This category of tools and equipment is essential to continued productivity and reliable system operation.

(b) ADP General Purpose Equipment

BPA's ADP general purpose equipment capital acquisition program reflects increased demands on ADP resources due to the implementation of major new management information systems, and other new requirements which necessitate continued enhancement of BPA's computer systems. These enhancements will consist of storage devices, controller, channels, memory and communication equipment to follow-up and complement the processor upgrade in FY 1985, and most significantly, the addition of a second main frame processor in FY 1987.

(c) ADP Software Development

This category of capital tools and equipment includes development by BPA staff and contractors of ADP systems, procedures, and programs to support BPA's utility and management processes. Included are BPA's financial management information system, construction project management information system, materials management system, system maintenance information system, and other high priority ADP software development.

(d) Office Furniture and Equipment

Included are automated office systems, office communications, and other capital equipment and furnitures. High priority items are office furniture and communications facilities for BPA's new headquarters building in east Portland, Oregon, being constructed by the General Services Administration. If anticipated changes in regulations regarding establishment of Federal physical fitness programs to improve employee productivity are made in time, BPA plans to use FY 1986 funds to provide a small physical fitness facility in the new building in accordance with approval received from the President's Council on Physical Fitness.

	Total Cost	FY 1987	Required to Complete
	(in thousands of dollars)		
(4) Preliminary Engineering (Item 840)	4,396	4,396	--

Preliminary engineering includes advance studies, surveys, and environmental analysis. This work is necessary to permit start of construction in time to meet scheduled energization dates. Time schedules are shortened by early preparation of specifications for contract work. Funding of this activity in FY 1987 reflects continuation of the current level of activity plus continued planning studies for new intertie transmission lines.

d. System Electrical Facilities $14,364,000

The FY 1987 System Electrical Facilities program provides for transformer, power circuit breaker, and capacitor additions and replacements, plus other related transmission line and substation changes to prevent or eliminate equipment overloads, maintain service conditions, and eliminate or avoid hazardous waste contamination of electric facilities and their surroundings. Funding required for this budget category also reflects continuation of the FY 1986 level of equipment replacements and upgrades, plus additional funding for the replacement of PCB contaminated electrical equipment.

	Total Cost	FY 1987	Required to Complete
	(in thousands of dollars)		
(1) Transformer Additions (Item 871)	2,911	1,406	1,505

This item provides for added transformer capacity in BPA's substations. The principal types of capacity additions are new transformers and replacement of lower capacity transformers with higher capacity units. Additions to transformer capacity are necessary when existing facilities become overloaded, when they can no longer provide reliable service, or when they are unable to maintain an acceptable standard of voltage regulation.

	Total Cost	FY 1987	Required to Complete
	(in thousands of dollars)		
(2) Miscellaneous Capital Additions and Replacements (Item 880)	16,886	9,618	7,268

This item provides for replacement of critical power circuit breakers and other electrical apparatus on the transmission system and for miscellaneous unforeseen minor capital additions or changes. Replacements are required when electrical equipment is worn out, damaged, destroyed, overloaded, or becomes obsolete. This item continues to grow and increase in scope as the electrical system ages.

	Total Cost	FY 1987	Required to Complete
	(in thousands of dollars)		
(3) PCB Contaminated Equipment Replacement (Item 885)	15,709	3,340	12,369

This item provides for the third of a 15-year continuing program to remove and replace polychlorinated biphenyl (PCB) contaminated electrical equipment on the BPA system. This PCB replacement program is an integral component of BPA's hazardous waste management program. It has been formulated to meet BPA guidelines and Environmental Protection Agency regulations.

3. Revenue Funded Construction Expenses $16,280,000

This budget category comprises annual activities that support the capital construction program. These activities include BPA's in-house research and development (R&D) activities, BPA's financial participation in the Electric Power Research Institute (EPRI), and impact aid to local governments.

a. Transmission Research and Development $6,780,000

To meet the continuing need for new technology, BPA conducts an ongoing research and development program of technical and scientific investigations on various aspects of electric power transmission. These are carried out through: (1) in-house investigations; (2) single sponsor contracts with industrial firms, research corporations and institutions; and (3) cooperative investigations with other utilities, government institutions and industries.

b. EPRI Support $9,500,000

In recognition of its electric utility responsibilities, BPA participates financially in the research and development activities of the Electric Power Research Institute (EPRI). EPRI was established by public and private utilities to develop a coordinated national electric power research and development program. EPRI funding is provided by approximately 600 participating utilities nationwide, with individual utility contributions determined by a formula based upon energy deliveries. Financial participation in EPRI complements and is closely coordinated with BPA's in-house research and development program. This budget reflects a BPA decision to increase its contributions so that its funding level is consistent with BPA's total energy sales by 1991, in recognition of EPRI benefit to the Pacific Northwest and BPA's utility role in the region.

c. Impact Aid

This item provides funding for the impact aid provision of the Pacific Northwest Power Act, although no funding is required for FY 1987.

Pursuant to Section 7(m) of the Act BPA may make annual impact aid payments to appropriate local governments within the region with respect to BPA "major transmission facilities".

BPA has adopted an impact aid policy and formula. Payment cannot be made until the formula is approved by FERC. The first payment will probably be made in FY 1986, when FERC is expected to approve the formula. The first annual payment will cover impacts since enactment of the Pacific Northwest Power Act on December 5, 1980. Funding beyond the initial implementation of impact aid is expected to be nominal because the initial payments will primarily cover the impacts of construction of "major facilities" since passage of the Act. BPA expects no additional major facilities in the next several years. Thus, funding is provided in FY 1986 to cover initial implementation. No specific funding has been identified thereafter. BPA plans to absorb any minor payments that might occur in FY 1987 by reducing other revenue funded requirements. Should substantial impact aid requirements occur in FY 1987, BPA would make budget adjustments as necessary to specifically identify impact aid funding.

SYSTEM PLANNING AND CONSTRUCTION
PROGRAM SUMMARY
(in thousands of dollars)

Item No.	Facility	Estimated Total Costs	Actual Obligations thru 9/30/84	Actual 1985 Program	Estimated 1986 Program	Estimated 1987 Program	To Complete
	Main Grid						
102	Eugene-Medford	9,346	0	0	0	4,643	4,703
103	Third AC Reinforcement	65,818	0	0	0	32,471	33,347
150	System Reactive	5,232	0	0	0	3,359	1,873
	Subtotal	80,396	0	0	0	40,473	39,923
	Area and Customer Services						
112	Industrial Service	2,776	0	0	0	1,912	864
705	Fossil Area Reinforcement	5,272	0	0	0	2,335	2,937
770	Customer Services	3,487	0	0	0	2,048	1,439
	Subtotal	11,535	0	0	0	6,295	5,240
	General System Facilities						
810	General Structures	4,515	0	0	0	3,164	1,351
820	Power System Control	16,990	0	0	0	10,459	6,531
831	Power System Tools	10,283	0	0	0	10,283	0
832	ADP General Purpose Equipment	20,491	0	0	0	20,491	0
833	Office Furniture & Equipment	4,282	0	0	0	4,282	0
834	ADP Software Development	6,717	0	0	0	6,717	0
840	Preliminary Engineering	4,396	0	0	0	4,396	0
	Subtotal	67,674	0	0	0	59,792	7,882
	System Electrical Facilities						
871	Transformer Additions	2,911	0	0	0	1,406	1,505
880	Miscellaneous Replacements & Additions	16,886	0	0	0	9,618	7,268
885	PCB Contaminated Equipment	15,709	0	0	0	3,340	12,369
	Subtotal	35,506	0	0	0	14,364	21,142
	Total Proposed System Additions	195,111	0	0	0	120,924	74,187
	Total Programmed in Prior Years	950,826	389,366	136,182	256,215	56,976	112,087
	Total Proposed System Additions	195,111	0	0	0	120,924	74,187
	Transmission Research & Development, EPRI	49,686	7,315	11,191	14,900	16,280	0
	Impact Aid	1,000	0	0	1,000	0	0
	Planned Construction Program	1,196,623	396,681	147,373	272,115	194,180	186,274
	Undistributed Reduction	-29,315	0	0	-22,215	-7,100	0
	Funded Construction Program	1,167,308	396,681	147,373	249,900	187,080	186,274

CONSTRUCTION PROGRAM
DETAIL OF PREVIOUSLY PROGRAMMED FACILITIES
(in thousands of dollars)

Item No.	Facility	Estimated Total Costs	Actual Obligations thru 9/30/84	Actual 1985 Program	Estimated 1986 Program	Estimated 1987 Program	To Complete
Facilities Programmed in Prior Years							
	Main Grid						
111	D.C. Terminal Expansion	89,811	0	2,296	78,966	7,469	1,080
119	Flathead Valley Reinforcement	3,736	81	1,771	1,585	299	0
120	Bend Area Support	12,285	2,886	5,005	3,938	456	0
126	Longview Area Transformer Support	16,849	0	0	0	41	16,808
132	Port Angeles Area Reinforcement	21,465	0	0	532	4,043	16,890
135	Fall River-Lower Valley Reinforcement	15,638	0	0	6,445	2,881	6,312
150	System Reactive	14,899	3,465	1,711	4,717	2,137	2,869
185	Taft-Bell 500 kV Reinforcement	82,917	4,805	15,776	53,055	3,346	5,935
	Subtotal	257,600	11,237	26,559	149,238	20,672	49,894
	Area and Customer Services						
112	Industrial Service	2,638	0	0	1,819	819	0
316	Salem-Tillamook	4,589	268	11	234	1,734	2,342
701	East Lewis County Support	3,440	0	0	988	1,011	1,441
703	Shelton Reinforcement	1,059	0	253	792	14	0
722	North Pasco Support	702	0	0	415	260	27
770	Customer Services	36,917	18,472	5,404	6,575	4,179	2,287
	Subtotal	49,345	18,740	5,668	10,823	8,017	6,097
	General System Facilities						
810	General Structures	25,163	11,382	3,528	7,238	1,331	1,684
820	Power System Control	101,639	20,391	20,239	20,865	19,272	20,872
831	Power System Tools	18,968	0	5,375	13,593	0	0
832	ADP General Purpose Equipment	17,249	0	5,531	11,718	0	0
833	Office Furniture & Equipment	3,809	0	668	3,141	0	0
834	ADP Software Development	17,547	0	9,879	7,668	0	0
835	Aircraft Replacement	2,425	0	0	2,425	0	0
840	Preliminary Engineering	5,631	0	1,449	4,182	0	0
	Subtotal	192,431	31,773	46,669	70,830	20,603	22,556
	System Electrical Facilities						
871	Transformer Additions	14,438	9,895	377	1,851	1,419	896
880	Misc. Replacements & Additions	32,762	5,860	4,346	15,504	4,520	2,532
885	PCB Contaminated Equipment	7,309	0	21	5,530	1,745	13
	Subtotal	54,509	15,755	4,744	22,885	7,684	3,441
Undistributed Carryover		30,099	0	0	0	0	30,099
Items Completed in Current Year (FY 86)		344,829	306,442	35,948	2,439	0	0
Completion of Prior Year Programs		22,013	5,419	16,594	0	0	0
	Total Programmed in Prior Years	950,826	389,366	136,182	256,215	56,976	112,087

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

OPERATING PROGRAMS SUMMARY

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
System Operations	27,937	33,300	36,200
System Maintenance	66,516	75,900	81,900
Power Scheduling	3,734	4,300	4,700
Power Marketing	11,707	12,700	13,700
Fish and Wildlife	26,143	34,200	44,200
Planning Council	6,196	6,500	6,400
TOTAL	142,233	166,900 1/	187,100

1/ This total does not reflect a reduction in FY 1986 obligations of approximately $2,477,000 which was required by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177, Gramm-Rudman-Hollings).

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

SYSTEM OPERATIONS $36,200,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
1. Substation Operations	19,518	23,300	25,400
2. Power System Control & Dispatching	7,050	8,200	8,900
3. Operations Standards & Engineering	1,369	1,800	1,900
TOTAL	27,937	33,300 1/	36,200

The FY 1987 costs for the System Operations program are expected to increase $3,700,000 from the FY 1986 program. This increase is due primarily to higher labor rates and indirect costs, inflation, and increased contract activity. These increases have been partially offset by reductions in substation operating personnel. This reduction in personnel is made possible by increased reliance on automated control of substations from remote locations and implementation of changes in reliability and manning standards.

1. Substation Operations $25,400,000

This activity covers operating functions necessary to provide electric service to customers and to protect the Government's investment in electric equipment. In FY 1987, this activity will provide for the continued operation of over 380 substations.

Substation operations include making system and equipment adjustments to maintain loads and voltages within acceptable limits, switching to de-energize lines and equipment during emergencies or for scheduled maintenance, isolating damaged equipment, restoring service to customers, visually inspecting equipment, reading meters, and recording line and equipment loadings and voltages. Contracting for certain caretaking functions at substations is included in this activity and is expected to increase for FY 1987.

2. Power System Control and Dispatching $8,900,000

This activity includes central control of the electric operation of the Federal transmission system including load, frequency, and voltage control of Federal generating plants; the operation of the system control and data acquisition computers at the Dittmer System Control Center; and the modification and maintenance of the operation-related computers (e.g., computer terminal equipment, computer programs). Major emphasis will be placed on automating collection of billing data, consolidating the scheduling and dispatching of power for Southern Idaho at the Eastern Control Center, load frequency control, dispatching power over the Federal transmission system; and coordinating the operation of the power system with other interconnected systems.

1/ Does not reflect a reduction in FY 1986 obligations of approximately $800,000 which was required by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177, Gramm-Rudman-Hollings).

3. Operations Standards and Engineering $1,900,000

This program includes tests and studies of the power and reactive flows and voltages on the transmission system for a variety of operating conditions during the year, review of power system disturbances, and establishment of criteria for operating under expected conditions for the next operating year. Also included are investigations of emergency operating programs, review of substation manning standards, and supervision of the operation of BPA's power transmission system.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

SYSTEM MAINTENANCE $81,900,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
1. Transmission Lines	17,356	22,000	22,600
2. Substations	18,890	24,200	27,200
3. System Protection	7,434	7,400	7,900
4. Power System Control Equipment	10,262	10,300	11,000
5. Non-Electric Plant Maintenance	7,448	8,000	9,000
6. Maintenance Standards & Engineering	5,126	4,000	4,200
TOTAL	66,516	75,900 1/	81,900

The System Maintenance program for FY 1987 will require an estimated $81,900,000, an increase of $7,277,000 over FY 1986. The increase comes from increased emphasis on preventive maintenance and hazardous waste management, higher labor, material and indirect costs, and increased building rental costs.

During FY 1987, BPA plans to accomplish approximately 72 percent of the scheduled preventive maintenance, an increase of 5 percent over current levels. This increased level of preventive maintenance will be accomplished in part by more contracting of transmission line and substation maintenance activities, with particular emphasis on preventive maintenance.

1. Transmission Lines $22,600,000

The transmission line maintenance program for FY 1987 involves the patrol and maintenance of nearly 14,500 circuit-miles of transmission lines throughout the power system. It includes performing emergency repairs to the transmission lines and structures, maintaining rights-of-ways through danger tree and brush control, and access road repair and maintenance.

2. Substations $27,200,000

This program provides for the preventive and corrective maintenance of substation equipment and related facilities such as circuit breakers, transformers, capacitors, and switches. Scheduled preventive maintenance enhances power system reliability and reduces costly catastrophic equipment failures. Corrective maintenance restores normal system operating conditions and is accomplished as needed. During FY 1987, work associated with polychlorinated biphenyl (PCB) contaminated equipment will continue at a high level and more scheduled preventive maintenance will be accomplished.

1/ Does not reflect a reduction in FY 1986 obligations of approximately $1,277,000 which was required by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177, Gramm-Rudman-Hollings).

3. System Protection $7,900,000

This activity includes maintenance of all control systems, including digital-based systems, d-c control systems, or power system relays, to insure no increase in customer outage rates or major equipment damage. Also included is the maintenance of meters necessary to record the operation of the power system and record demand and energy deliveries for billing purposes.

4. Power System Control Equipment $11,000,000

This involves maintenance of all power line carrier, radio, digital, and submultiplex systems and microwave equipment. The PSC program is a corrective maintenance program and assures timely restoration of service, proper relaying, and secure control actions.

5. Non-Electric Plant Maintenance $9,000,000

Non-Electric Plant Maintenance includes site, building, and building utility maintenance; custodial services; station utility; transportation maintenance; land management and operation; and other maintenance service activities on BPA-owned or leased nonelectric facilities associated with the electric transmission system. During FY 1987, funding requirements increase because of inflation and increased indirect costs. In addition, more roof repair jobs are planned and work done to assure compliance with National Pollution Discharge Elimination System requirement will be emphasized.

6. Maintenance Standards and Engineering $4,200,000

The FY 1987 maintenance standards and engineering program will concentrate on updating and establishing standards, policies, and procedures for system maintenance, as well as reviewing, developing, and implementing a system-wide, long-range maintenance plan.

POWER SCHEDULING $4,700,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
Power Scheduling	3,734	4,300	4,700
TOTAL	3,734	4,300 1/	4,700

The Power Scheduling Program consists of short term forecasting (30 days or less) of the hourly power requirements of BPA customers and the interchange of power with other utilities. These requirements are then met by scheduling generation at Federal plants, purchasing power on a short term basis, or by other means. Weather and streamflow forecasting, controlling the storage and utilization of water in reservoirs, and coordinating power production with the multipurpose operation of the Columbia River are other primary activities associated with power scheduling.

Efforts in FY 1987 will focus on implementing the Intertie Access Policy through scheduling surplus power on the Pacific Northwest-Pacific Southwest Intertie. Scheduling and managing power and water releases consistent with the Northwest Electric Power Planning and Conservation Council's Fish and Wildlife Program's Water Budget will continue as a priority work activity. FY 1987 funding requirements increase by $400,000 because of higher indirect costs.

1/ Does not reflect a reduction in FY 1986 obligations of approximately $125,000 which was required by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177, Gramm-Rudman-Hollings).

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

POWER MARKETING $13,700,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
1. Wholesale Power and Transmission Rates	3,862	4,500	4,800
2. Power Contracts and Customer Service	5,144	4,600	5,000
3. Special Coordination	2,701	3,600	3,900
TOTAL	11,707	12,700 1/	13,700

Power Marketing costs are expected to increase by $1,225,000 in FY 1987. This increase results from inflation and higher labor and indirect costs.

1. Wholesale Power and Transmission Rates $4,800,000

The Wholesale Power and Transmission Rate function develops the rates that customers pay BPA for electric power and for wheeling their own power on BPA's transmission system. These rates are established through a rate making process that is consistent with provisions of the Pacific Northwest Power Act and includes extensive public involvement. Rates must be adequate to insure revenues sufficient to pay BPA's operating expenses, debt repayment, and amortization of the Federal investment in the Federal Columbia River Power System hydroelectric projects.

Rate development activities include developing rate schedules, preparing rate design studies and marginal cost analyses, researching rate design methods, coordinating the development of cost of service analyses, preparing General Rate Schedule Provisions, and evaluating wholesale rate impacts on various markets.

During FY 1987, attention will focus on developing and implementing the supplemental rate charges required by Section 7(b)3 of the Pacific Northwest Power Act and in analyzing different market sectors both within and outside of the Pacific Northwest and their response to alternative rate designs.

2. Power Contracts and Customer Service $5,000,000

The Power Contracts function negotiates, administers, and coordinates contracts for power sales, power exchanges, conservation, wheeling, and resource services. Customer Service analyzes, processes, and issues all customer bills.

1/ Does not reflect a reduction in FY 1986 obligations of approximately $275,000 which was required by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177, Gramm-Rudman-Hollings).

During FY 1987, emphasis will be placed on developing regional markets for surplus energy through incentive rates for Direct Service Industries, new industrial customers in the Northwest, and alternate fuel load programs. BPA will continue to aggressively pursue additional short and long term sales of surplus power to California. Expiration of the capacity/energy exchange contracts with California utilities in the 1986-88 period will require new long term contracts to meet the future needs of California.

The last phase of the Remote Metering System will be completed in FY 1987. This system, one part of our efforts to modernize power billing methods, will facilitate the accurate and timely billing of our customers.

3. Special Coordination $3,900,000

Special Coordination provides specialized support to the Power Marketing Program in surplus power marketing efforts, intertie transfer policy development and analysis, and increased public involvement support in all phases of policy development. It also provides environmental analysis in support of fish and wildlife projects, the intertie access policy, the acquisition of resource options, and in various rate options considered by BPA.

BPA's emphasis on extra regional power sales, increasing intertie transfer capability, and on providing Northwest utilities with equitable access to intertie facilities will continue in FY 1987. As a result, the funding need for Special Coordination activities will remain relatively constant.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

FISH AND WILDLIFE $44,200,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
Fish and Wildlife Program	26,143	35,200	44,200
Undistributed Reduction 1/	--	-1,000	--
FUNDED PROGRAM	26,143	34,200	44,200

Under Section 4(h) of the Pacific Northwest Power Act, BPA is to use the Bonneville Fund to protect, mitigate and enhance fish and wildlife affected by the development and operation of hydroelectric facilities on the Columbia River and its tributaries. The Pacific Northwest Power Act also assigns to BPA, the U.S. Army Corps of Engineers, and U.S. Bureau of Reclamation fish and wildlife responsibilities in the management and operation of Federal Columbia River Power System hydroelectric facilities.

Consistent with the provisions of the Pacific Northwest Power Act, BPA discharges a major portion of its Columbia River Basin fish and wildlife responsibilities by funding projects designed to accomplish measures in the Pacific Northwest Electric Power and Conservation Planning Council's (Planning Council) Columbia River Basin Fish and Wildlife Program (Program).

BPA's fish and wildlife program level covers all staff costs and related obligations for BPA's direct funding of capital investment/construction and operating expenses for fish and wildlife activities. The rapid growth in the program reflects BPA's continued commitment to its responsibilities under the Pacific Northwest Power Act. Most of the FY 1987 budget will fund the continuation of projects begun in FY 1986 or before, with increases largely attributable to projects reaching the design and construction stages in FY 1987. The funding levels shown below are subject to shifts among categories based on assessment of amendments to the Planning Council's Program and consultation with Pacific Northwest fish and wildlife agencies and Indian tribes.

FY 1987 funding plans include offsite compensation (mainly natural propagation enhancement, including habitat and non-hydroelectric dam passage improvements); artificial propagation facilities, including hatcheries; measures which address "systemwide" impacts; and studies, research and development which yield knowledge, technologies, and procedures usable in hydroelectric mitigation throughout the Columbia River Basin. These plans reflect BPA's role in achieving the fish and wildlife objectives of the Pacific Northwest Power Act and its commitment to supporting the Planning Council's Program. BPA's plans focus on funding Program measures which are not facility-specific. (The Corps of Engineers, Bureau of Reclamation and other hydroelectric operators have responsibility for facility-specific Program measures.)

1/ Undistributed Reduction: Funding adjustment to scheduled program provides for program reductions, and slippages due to unidentified delays. Changing regional circumstances may require adjustments within the funding level between subprograms or programs.

Six of the major capital projects discussed below, including one FY 1987 new start, were incorporated by the Planning Council into their amended Program issued in October 1984. The six projects are Tumwater Falls Passage, Dryden Dam Passage, Yakima Hatchery, Enloe Dam Passage (FY 1987 new start), Colville Hatchery and Nez Perce Propagation Facility. Except for Enloe Dam Passage, all of these projects were added to BPA's budget during Congressional consideration of the FY 1986 budget.

Anadromous Fish $34,000,000

As intended by the Pacific Northwest Power Act, most planned funding will address the Columbia River Basin's salmon and steelhead runs. Offsite habitat and passage improvements to enhance natural propagation comprise the single largest category of planned funding in FY 1987. Passage improvements provide access to spawning and rearing grounds and reduce passage mortalities at barriers and diversions. Typical habitat improvements involve creation of side channels, instream structures, and riparian enhancement to increase juvenile production.

Several Yakima River Basin projects are complete or scheduled for completion. Improvements at the Wapato Diversion Dam and Toppenish/Status Diversion Dam are expected to be completed in FY 1986. Part of the Sunnyside Dam Passage project was completed in FY 1985 when fish screens were installed and placed in operation. The balance of construction at Sunnyside, two fish ladders, is expected to be completed in FY 1986.

Two Wenatchee River projects are located in Washington. Dryden Dam Fish Passage and Tumwater Falls Dam Fish Passage are fish ladder construction projects located at Dryden Irrigation Diversion Dam and the Tumwater Dam, respectively. At Dryden the existing fish ladder will be improved. At Tumwater Falls a new fish ladder will be constructed. These fish ladders are expected to allow for higher fish production from improved access to anadromous fish habitat. Construction for the two projects is expected to be completed during FY 1986.

Enloe Dam passage is a major new project scheduled for construction in FY 1987. Enloe Dam is located on the Similkameen River, a tributary of the Okanogan River, in northeastern Washington. The 54 foot high hydroelectric dam was completed in 1923 without fish passage facilities. Following a decision on the selection of the preferred engineering alternative construction should begin in FY 1987. The selection by BPA of the preferred alternative will include discussions with various Canadian and Washington State and Federal fish and wildlife agencies and Indian Tribes within the region. The purpose for the project is to provide access for anadromous salmonids to over 350 miles of spawning and rearing habitat in the upper Similkameen River watershed. The establishment of an anadromous fish run throughout the Similkameen River Basin would be considered as offsite mitigation for juvenile fish losses occurring on the mainstem Columbia River.

Construction on Three Mile Dam Fish Passage is expected to be complete in FY 1987. This project has encountered delays over the selection of the appropriate passage alternative and execution of an operation and maintenance agreement for the completed facility. Agreement on the final design for the facility is expected by the end of FY 1985. No further delays are anticipated with this project.

Development of artificial production facilities is another major category of BPA funding. The Yakima Hatchery is scheduled for the start of construction in FY 1987. The final design and schedule will be determined following completion of a master plan which is under development by the Northwest Power Planning Council.

The Nez Perce Fish Propagation Facility is a major project that would be located within the Nez Perce Indian Reservation. When the final design and cooperative management issues are resolved, construction of this small-scale facility will begin. Construction is forecasted to begin in FY 1987. If constructed, it would provide smolts for release into the 300 mile river and stream system on the Reservation. This system experienced a loss in the fishery resource due to various land-use practices including the hydroelectric system.

Construction on the Umatilla Hatchery is expected to be complete in FY 1988. This project has experienced unanticipated delays due to problems associated with acquisition of land for the site. Preliminary design is expected to begin by the end of FY 1986.

Funding of downstream migration monitoring and related studies will continue in FY 1987. Monitoring tracks smolt movement between dams for operation of the Water Budget, which is a river flow management technique that helps determine river flows to aid spring outmigration. Studies examine resident fish predation on migrating smolts, effects of dam operations on migration, and other, related subjects, and are aimed at increasing the survival of migrating salmon and steelhead smolts.

Improving fish culture practices and disease control at existing hatcheries is planned for continued emphasis in FY 1987. Disease exacts a heavy toll on the vitality and production of Columbia River Basin hatcheries, and improvements in hatchery practices are expected to substantially increase hatchery effectiveness, hence the contribution of hatchery fish to harvests. Research and Development (R&D) projects which are expected to continue in FY 1987 include the development of diets to improve survival after release and the development of vaccines and other techniques for controlling viral disease Infectious Hematopoietic Necrosis and bacterial kidney disease; increased fish health monitoring, improved smolt indices, and technical information transfer for improving hatchery effectiveness.

Resident Fish $4,200,000

BPA will also continue to fund projects to protect, mitigate, and enhance resident fish. Major construction of the Cabinet Gorge hatchery was completed in FY 1985. The date for operation of the hatchery is one hatchery production season ahead of schedule. BPA will evaluate the contribution of the hatchery to the fishery of Lake Pend Oreille once the hatchery is placed in operation.

The Colville hatchery, a resident trout hatchery, will be located on the Colville Indian Reservation. The hatchery is scheduled for construction during the two years FY 1987-FY 1988. When completed, hatchery production is expected to be approximately 50,000 pounds of trout annually. The hatchery will compensate for anadromous fish losses resulting from the construction and operation of the Chief Joseph and Grand Coulee Dams located on the Columbia River.

Many of the resident fish measures called for in the Program are to be carried out in Montana where anadromous fish runs are blocked by natural obstructions. An area of particular concern is the Flathead River Basin where hydroelectric development and operations have drastically altered the fisheries. BPA proposes to continue funding research of the resident fishery resource in the Flathead Basin with a goal of developing a basin-wide plan for protection. In FY 1985, workshops were held with the fisheries agencies, tribes and the public to determine the necessary research requirements for the establishment of a protection, mitigation, and enhancement program for white sturgeon. Funds for projects developed in the workshops are included in the program.

Wildlife $2,500,000

The Program calls for wildlife mitigation plans for hydroelectric facilities in the Columbia River Basin. BPA plans continued funding for the development of mitigation plans for Willamette River Basin Federal dams in FY 1986, with completion estimated for FY 1987. Mitigation planning will also be undertaken for the following facilities or river basins: Dworshak Dam on the Clearwater River, Idaho, Upper Snake River Basin, Idaho, and Grand Coulee Dam on the Columbia River, Washington. Funding of mitigation activities at Libby Dam on the Kootenai River, Montana, and the Hungry Horse Dam on the Flathead River, Montana are anticipated during FY 1987.

New Hydroelectric Development	$700,000

Fish and wildlife resources of the Columbia River Basin have been adversely affected by past hydroelectric development and could be harmed even more by future development. BPA is developing information on the cumulative effects of new hydroelectric systems (many less than 5 megawatts) on streams and rivers and evaluating alternative turbine intake screens. Work will continue on the development of a method to objectively evaluate rivers and streams to establish protected areas from future hydroelectric development for fish and wildlife.

New Program Measures	$2,800,000

The FY 1987 budget also includes funding for new measures that may be added to the Program by amendment. The Planning Council is scheduled to amend its Program in December 1986. Anticipated use for part of these funds will be for the acquisition of land or easements to implement wildlife protection and mitigation actions.

BPA funding for the fish and wildlife projects will be identified through solicitations and invitations to bid, with funds being provided to the region's Federal and State fish and wildlife agencies, Tribes, universities, and consultants. In funding projects, every assurance is made that: (1) ratepayer funds are not replacing expenditures that are required of others, (2) projects funded are not duplicating other ongoing activities, (3) projects initiated reflect the highest priority fish and wildlife needs, and (4) the proposing agency, Tribe or researcher is qualified to undertake a specific activity.

MAJOR CAPITAL PROJECTS

PROJECT	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
	(in thousands of dollars)		
Carryovers			
Sunnyside Dam Passage	4,476	0	0
Wapato Diversion Dam	2,604	3,925	0
Toppenish/Satus Diversion	1,579	225	0
Cabinet Gorge Hatchery, Lake Pend Oreille	1,253	625	0
Three Mile Fish Passage	312	525	2,850
Umatilla Hatchery	0	1,725	650
Subtotal	10,224	7,025	3,500
FY 1986 Starts			
Tumwater Falls Passage	0	1,350	0
Dryden Dam Passage	0	1,350	0
Yakima Hatchery	0	825	6,100
Coleville Hatchery	0	300	2,650
Nez Perce Capital Facility	0	325	2,025
Subtotal	0	4,150	10,775
FY 1987 New Starts			
Enloe Dam	0	325	2,725
New Measures	0	0	1,500
Subtotal	0	325	4,225
SUBTOTAL SCHEDULED PROGRAM	10,224	11,500	18,500
Undistributed Reduction	--	-1,000	--
FUNDED PROGRAM	10,224	10,500	18,500

PLANNING COUNCIL $6,400,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
Planning Council Budget	6,196	6,500	6,400

Creation of the Pacific Northwest Electric Power and Conservation Planning Council (Council) was authorized by passage of the Pacific Northwest Power Act on December 5, 1980.

The Council was formally established on April 28, 1981. It consists of eight members, two appointed by each of the four Pacific Northwest Governors (Idaho, Montana, Oregon, and Washington), and is presently supported by a central staff of approximately 43 employees and State support staffs totaling 15 employees.

The Council's initial responsibility was the preparation of a Columbia River Basin Fish and Wildlife Program (Program) which the Council adopted on November 15, 1982, and a Northwest Conservation and Electric Power Plan (Power Plan) which the Council adopted on April 27, 1983. Among other elements, that Power Plan included an energy conservation program, a regional 20-year demand forecast, and a forecast of needed regional resources. The Power Plan provides guidance for future development of the Pacific Northwest's power system over a planning horizon of 20 years.

During FY 1984 the Council considered extensive amendments to the Program which were adopted on October 10, 1984. As part of the fish and wildlife amendment process the Council also adopted a Five-Year Fish and Wildlife Action Plan to provide more precise guidance for the implementing agencies (Bonneville Power Administration, Corps of Engineers, Bureau of Reclamation, State and Federal Fish and Wildlife agencies, the Federal Energy Regulatory Commission, Indian tribes, and others) on scheduling of measures in the Program. The Council continues to discuss and take public comment on various aspects of both the Power Plan and the Program at periodic Council meetings held on an average of once every 3 weeks.

In FY 1985, the Council began preparating its second Power Plan and it monitored the actions taken in response to the Two-Year Action Plan of the original Power Plan and the Five-Year Action Plan of the Program. The second power plan is scheduled for adoption in FY 1986.

The Council continues Power Plan and Fish and Wildlife investigations. Progressively less and less of its investigations are performed by consultants and contractors, and more and more by its own professional staff. Public information and education activities will continue in FY 1986 and FY 1987 through newsletters, special mailings and Council meetings that are designed to inform the public and regional utilities about Council policy on energy and fish and wildlife issues. The Council plans to revise its Power Plan and Fish and Wildlife Program every 2 years, alternating with the Plan one year and the Program the next. During FY 1987, the Council expects to adopt a revised Fish and Wildlife Program.

The Council's revised FY 1986 request reflects a $155,000 reduction from the amount shown in the FY 1986 Congressional Budget. The Council's proposed FY 1987 budget is lower still.

Funding for the Council is provided by BPA and is recoverable from BPA rates. The Pacific Northwest Power Act directs that expenses of the Council (subject to certain limits) shall be included in BPA's annual budget submitted to Congress pursuant to the Transmission Act of 1974. The limits are computed as a millage rate times the kilowatthours of firm power forecasted to be sold by BPA.

The lower ceiling millage rate is .02 mill per kilowatthour. The Pacific Northwest Power Act provides that BPA may raise the lower ceiling and pay Council expenses up to an annual amount not to exceed an upper ceiling 0.10 mill per kilowatthour, upon a showing by the Council that funds in excess of the lower ceiling are needed to enable the Council to carry out its functions and responsibilities under the Pacific Northwest Power Act. The Council asserts that its current budget and accompanying documents constitute such a showing.

The Council has provided BPA with a FY 1986 revised budget and FY 1987 budget. Based on BPA's firm power sales forecasts, the $6,536,000 1/ revised budget proposed by the Council for FY 1986 represents approximately .065 mill per kilowatthour and the $6,464,000 budget for FY 1987 translates into approximately .063 mill per kilowatthour. The Council, in its budget submittal to BPA, stated that the proposed funding levels are necessary for the Council to carry out its functions and responsibilities under the Pacific Northwest Power Act. BPA has reviewed the Council's budget in relation to the showing required in the Pacific Northwest Power Act, concluded that a showing has been made, and has raised the lower limit accordingly.

1/ Northwest Power Planning Council Budget and Expenditure Summary

Budget Category	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of	dollars)
Staff Compensation	2,232	2,357
Travel	356	303
Contracts	882	640
Other Operating Expenses	1,226	1,293
States Allocations	1,840	1,871
TOTAL	6,536	6,464

Note: The Council has discretion in allocating funds within each of these five major budget categories. BPA's understanding with the Council is that there will be no shift of allocated funds from one major budget category to another by the Council without first consulting with and obtaining the approval of BPA.

REIMBURSABLE $48,700,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Estimate Obs
	(in thousands of dollars)		
1. Power Purchases	20,648	39,200	39,700
2. Work Done for Others	6,435	8,200	9,000
TOTAL	27,083	47,400	48,700

1. Power Purchases

Reimbursables power purchases include energy transactions involving the Hanford Generating Project (HGP) and other energy management reimbursable activities.

(a) Hanford Generating Project $21,400,000

Current contracts provide for HGP operation through 1993, if by-product steam from DOE's N Reactor is available. During the period FY 1985 through FY 1991 Hanford Extension Energy in an amount equal to 28 percent of that produced by the HGP will be delivered to Pacific Power and Puget Sound Power and Light at project operating costs. The $21.4 million estimated obligations for FY 1987 constitutes the IOUs' 28 percent share of HGP annual disbursements for fuel (steam), taxes, capital additions, and other operating expenses.

The public agency participants pay the remaining 72 percent of HGP operating costs, as well as 100 percent of Hanford debt service, through the WNP-1 net-billing agreement. The Resource Acquisition, Planning, and Oversight section of this document contains these costs.

(b) Other $18,300,000

BPA also processes through reimbursable accounts the cash inflows and outflows associated with various power sales and transmission agreements with other utilities for energy transactions managed by BPA. These include an Exportable Agreement affecting PNW-PSW Intertie transactions, IRE Trust Agreement for industrial power, and a Service and Exchange Agreement with mid-Columbia utilities.

2. Work Done for Others $9,000,000

BPA constructs, operates, and maintains transmission facilities, and provides related utility and general support for customers and other entities, when requested and financed by other benefitting entities and the requested action is in BPA's interest. Funding for this item is provided by benefiting entities on a trust or reimbursable basis.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

INTEREST EXPENSE FOR BPA BORROWINGS $211,300,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Obs Current Services Estimate	FY 1987 Obs Repayment Proposal
		(in thousands of dollars)		
Interest Expense for BPA Borrowings	164,335	188,900	211,300	194,600 1/

The Transmission Act, as amended by the Pacific Northwest Power Act and replenished by Public Law 98-50, provided borrowing authority of $3.75 billion to assist in financing the construction, acquisition, and replacement of the transmission system and to implement the Administrator's authority pursuant to the Pacific Northwest Power Act, including his authority to provide financial assistance for conservation measures, renewable resources, and fish and wildlife. This item covers the payment of interest to the U.S. Treasury on those borrowings.

1/ Results of modified repayment proposal.

ASSOCIATED PROJECT COSTS $121,700,000

	FY 1985 Actual Obs	FY 1986 Estimate Obs	FY 1987 Obs Current Services Estimate	FY 1987 Obs Repayment Proposal
	(in thousands of dollars)			
1. Bureau of Reclamation	42,804	46,400	50,100	71,900
2. Corps of Engineers	54,980	56,700	59,500	59,500
3. Federal Energy Regulatory Commission Coordination Agreement	2,845	3,200	3,400	3,400
4. Lower Snake River Compensation Plan	5,355	7,900	8,700	8,700
Total	105,984	114,200	121,700	143,500 1/

FY 1987 Current Services estimates:

1. Bureau of Reclamation $50,100,000

This item includes payments to the Reclamation Fund covering the costs of operation and maintenance, interest, and amortization of Bureau of Reclamation projects allocated to be repaid from BPA revenues. In FY 1985 $12,800,000 in amortization was paid to the Treasury. The increase from FY 1986 to FY 1987 results from an increase in interest expenditures associated with funding the Bureau's generating facilities replacements.

2. Corps of Engineers Operation and Maintenance Expense $59,500,000

This item covers payments to the General Fund of the Treasury covering the operation and maintenance costs of Corps of Engineers generating projects repayable from BPA revenues. Planned increases are the result of inflation. (Payments also are made to the Treasury from BPA revenues for interest and amortization of the power investment in the Corps of Engineers projects. These costs are treated as Capital Transfers and appear in that section.)

3. Federal Energy Regulatory Commission Coordination Agreement $3,400,000

This item includes payments to the General Fund of the Treasury which the Federal Energy Regulatory Commission determines are due the Federal Government pursuant to Section 10(f) of the Federal Power Act for downstream benefits realized at non-Federal hydroelectric projects as a result of storage releases from upstream Federal reservoirs. The payments are made in accordance with the Pacific Northwest Coordination Agreement and are credited to the Corps of Engineers and Bureau of Reclamation accounts in relation to the amount each agency's projects have benefited the downstream owners.

1/ Results of modified repayment proposal.

4. Lower Snake River Compensation Plan $8,700,000

This item includes payments to the General Fund of the Treasury covering the operation and maintenance of the Lower Snake River hatcheries pursuant to the Lower Snake River Compensation Plan (LSRCP) authorized by the Water Resources Development Act of 1976. In total, 22 hatchery facilities are planned for LSRCP. The increased operation and maintenance costs from FY 1985 through FY 1987 is the result of completed facilities going into operation.

LSRCP stipulates that 100 percent of the anadromous fish and 83.8 percent of resident fish mitigation costs be repaid to the Treasury from power sales. The Corps of Engineers is constructing the hatchery facilities through direct appropriations. The Fish and Wildlife Service manages the operation and maintenance of the facilities which are also funded through appropriations.

DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION

CAPITAL TRANSFERS $321,100,000

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Current Services Estimate	FY 1987 Repayment Proposal
		(in thousands of dollars)		
1. BPA Appropriation Interest	57,702	58,800	58,800	58,800
2. Corps of Engineers Appropriation Interest	127,587	112,900	112,200	112,200
3. Lower Snake River Compensation Plan Interest	0	4,500	1,500	1,500
4. Amortization	215,076	190,800	148,600	282,900
TOTAL	400,365	367,000	321,100	455,400 1/

Capital transfers, although not treated in BPA's budget as a program obligation, represent an important use of BPA revenues in any fiscal year and, therefore, are separately defined and discussed in this section.

FY 1987 Current Services estimates:

1. BPA Appropriation Interest $58,800

This item covers payments to the General Fund of the U.S. Treasury to repay interest due on appropriated funds used to finance BPA transmission facilities.

2. Corps of Engineers Appropriation Interest $112,200

This item covers payments to the General Fund of the U.S. Treasury to repay interest due on appropriated funds used to finance Corps of Engineers power generation facilities.

3. Lower Snake River Compensation Plan Interest $1,500

This item covers payment to the General Fund of the U.S. Treasury to repay the interest due on appropriated funds used to finance Corps of Engineers construction of mitigation hatchery facilities on the Lower Snake River, Idaho. These facilities are constructed pursuant to the Lower Snake River Compensation Plan authorized by the Water Resources Development Act of 1976.

1/ Results of modified repayment proposal.

4. Amortization $148,600

This item covers repayments to the U.S. Treasury to pay off the Federal investment in transmission facilities and the power share of the Federal hydro-projects operated by the Corps of Engineers, including hatchery facilities constructed pursuant to the Lower Snake River Compensation Plan. This item also covers repayment of bonds issued in support of conservation, fish and wildlife, and transmission system construction since 1974. (Amortization of Bureau of Reclamation projects is found in the Associated Project Costs program.)

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET
PENDING LITIGATION
BONNEVILLE POWER ADMINISTRATION

I. Supply System Litigation

A. Bonneville Power Administration v. Washington Public Power Supply System, No. C82-1252 (W.D. Wash. filed October 26, 1982) originally filed as Washington Public Power Supply System v. Alder Mutual Light.

This case has become an umbrella or vehicle for several items of litigation not related to the issues in the case as originally filed. Pertinent to this report are: (1) cost sharing (original case); and (2) Investor-Owned Utilities' WNP-3 litigation.

1. Cost Sharing

The Supply System, and the Project participants agreed that the costs of common facilities for the twin plants, WNP-1 and WNP-4, and WNP-3 and WNP-5, should be equitably shared as a means of reducing costs of the projects. Upon termination by the Supply System of Projects Nos. WNP-4 and WNP-5, the participants in those projects have demanded that the costs be reallocated retroactively so that a greater portion of costs will be absorbed by Projects Nos. WNP-1 and WNP-3, the net-billed projects. If the participants are successful this could result in these two net-billed projects assuming additional costs of $192 million to $400 million.

The Department of Justice filed an Answer, Counterclaim and cross-claim. The court has dismissed the Supply System as plaintiff, substituted BPA as plaintiff, and made the Supply System a defendant. The case was assigned to Judge Richard Bilby of Tucson, Arizona. Judge Bilby stayed discovery pending resolution of the mothballing case. Judge Browning has replaced Judge Bilby.

As described in Subsection 2(b) directly below, Judge Browning has vacated Judge Bilby's orders. The Department of Justice has reurged its motion to dismiss the cost-sharing claim pursuant to the procedure established by Judge Browning. By order of July 10, 1985, Judge Browning reinstated all of Judge Bilby's substantive decisions in the cost-sharing case.

2. Investor Owned Utilities/WNP-3 Case

By May 1983 the Supply System was unable to sell bonds to finance the construction of WNP-3. BPA recommended that the Supply System "mothball" or implement an extended construction delay of WNP-3. Because BPA declined to approve proposed Supply System Amended Annual and Construction Budgets providing for BPA to fund completion of WNP-3, the IOU owners of a 30 percent share in WNP-3 filed a motion for a preliminary injunction to compel BPA to proceed immediately with funding completion of that project. The IOUs also filed claims for breach of contract against BPA and the Supply System.

The Supply System invoked a provision in the Ownership Agreement to refer to a Special Board the question of whether BPA's refusal to approve the Supply System's Amended Annual and Construction Budgets was in accordance with prudent utility practice. Even though BPA and the IOUs resisted this procedure, Judge Bilby ordered that board members be nominated in accordance with the provision of the Ownership Agreement and conduct proceedings on this question. The Special Board hearing commenced November 28, 1983 and submitted its report to Judge Bilby on January 6, 1984.

The Board determined that the Supply System was foreclosed from the capital markets in May 1983; therefore, the proposed 3-year slowdown was a prudent utility practice based on the assumption that sufficient funds were not available from other sources to enable the Supply System to continue scheduled construction of WNP-3. The Board's decision left undetermined the question of irreparable harm to the IOUs as a result of the slowdown and the question whether BPA is contractually obligated to fund construction completion under the Net-Billing Agreement and the Project Agreement.

BPA and the IOUs reached agreement on a proposed set of settlement principles, which were announced on January 18, 1985. The guiding principle of the settlement was to put the IOUs in a position similar to what they could have expected had Project 3 not been mothballed. Thus, Bonneville is obligated to deliver an amount of power (expected to be 191 annual average MW) to the IOUs over the expected life of a nuclear power plant (30-32 years). The precise amount of power and its costs to the IOUs will depend upon the performance of four nuclear power plants similar to Project 3 located elsewhere in the country. In exchange for the power, the IOUs will make combustion turbines available for Bonneville's use and give the federal agency an irrevocable offer of their share of the Project. Before BPA can accept that offer it must engage in proceedings mandated by the Northwest Power Act.

The settlement agreement has itself generated a new round of litigation. A group of public utilities, including the City of Tacoma and the large Clark and Cowlitz County PUD's, have insisted the settlement violates a number of Bonneville's statutory obligations and constitutes a breach of the agreements governing Project 3. The settlement agreement contemplated these challanges and provides for severability among its major components. Thus, if, for example, the irrevocable offers of the IOUs project shares are declared invalid, the remainder of the settlement remains in full force and effect. If all the substantive provisions are declared invalid, the convenant not to sue limits the IOUs to action for recission of the Ownership Agreement for Project 3. They have forever waived their rights to money damages from BPA and the Supply System resulting from the mothballing of the plant.

The settlement agreements became effective on December 18, 1985. Judge Browning established a briefing schedule on challenges to the settlement agreements that runs through January 15, 1986.

B. City of Springfield v. Washington Public Power Supply System, 564 F. Supp. 90 (D. Or. 1983) (Springfield III), affirmed, 752 F. 2d 1423 (9th Cir. 1985), petition for certiorari filed August 12, 1985.

This is an action for a declaratory judgment to determine whether the participants in the Supply System's nuclear projects WNP-1, WNP-2, and WNP-3 had legal authority to enter into the net-billing agreements for these projects or, in the alternative, if they were found not to have had the authority, to declare that BPA is liable for the payments and is estopped to claim lack of obligation to do so. The plaintiffs have joined not only the participants in the projects, but also BPA and the IOUs that own a 30-percent share in WNP-3. Also joined are Portland General Electric Company as builder of the Trojan Nuclear Plant and owner of 68.5 percent of Trojan, Pacific Power and Light Company, owner of 1.5 percent of Trojan, and Eugene Water and Electric Board (EWEB), owner of 30 percent. EWEB's interest has been assigned to other utility participants, who, in turn, assigned their shares of the capability of Trojan to BPA.

The District Court held that the participants in the projects had authority to enter into the net-billng agreement. The defendant-intervenors appealed this decision to the Ninth Circuit Court of Appeals.

The Ninth Circuit issued its opinion on February 9, 1985; affirming the District Court's order. The Ninth Circuit issued a clarification of its February order on April 18. The Ninth Circuit denied defendant intervenors' petition for rehearing and rejected their suggestion for a rehearing en banc on May 16, 1985. A petition for certiorari was filed on August 12, 1985.

C. Benton County PUD v. United States, No. 590-82-C (Ct. Cl. filed November 18, 1982); Clallam and Snohomish PUD v. United States, No. 29-83-C (Ct. Cl. filed January 18, 1983); City of Tacoma v. United States, No. 514-83C (Ct. Cl. filed August 2, 1983).

In the Benton County case the plaintiffs, 11 public utility districts in the State of Washington, filed this case to recover damages resulting from their participation in WNP-4 and WNP-5. Plaintiffs allege that BPA induced them to participate in the Supply System's nuclear projects Nos. WNP-4 and WNP-5. They contend that BPA oversold power to its DSI customers and, based on anticipated power demands in the region, the power to be generated by the projects would be needed to meet BPA's commitments to deliver firm power to its preference customers.

Clallam County PUD No. 1 initiated further litigation alleging the same claims stated in the Benton County case and alleging additional grounds for relief: breach of contract; unlawful taking of property rights in their preference contracts; breach of preference statutes; failure of BPA to implement an alleged implied obligation to obtain authority from Congress to net bill WNP-4 and WNP-5; and breach by BPA of its oversight duties with respect to WNP-1, WNP-2, and WNP-3.

On August 2, 1983, the City of Tacoma and Nespelem Valley Electric Cooperative, Inc. filed a complaint in the U.S. Claims Court alleging substantially the same contentions contained in Benton County.

City of Tacoma and Benton County were consolidated August 31, 1983. The Government has filed a motion for summary judgment in both the Benton County and Clallam County cases seeking dismissal of the actions on the ground that the cases have been rendered moot by the Washington State Supreme Court decision in the Chemical Bank case which released the WNP-4 and WNP-5 participants from liability under their agreements on those projects. The cases are on hold until sometime in 1986.

D. Chemical Bank v. PUD No. 1 of Benton County, Washington, et al., No. C83-1080 (W.D. Wash. filed August 3, 1983).

This action was originally filed against more than 600 organizations and individuals, including: (1) the Supply System; (2) all 23 members of the Supply System; (3) all 88 participants in Projects 4 and 5 (which includes 20 of the 23 Supply System members); (4) individual members of the Supply System Board of Directors between 1976 and 1981; (5) individual members of the Projects 4/5 Participants' Committee; (6) individual members of the governing bodies of each of the 88 participants and each of the 23 members; and (7) BPA. Against the non-federal defendants, Chemical Bank (Bond Fund Trustee for Projects 4/5) alleges violations of Federal and Washington State securities statutes, common law fraud and misrepresentation and negligence. The alleged misrepresentations concern the participants' authority to enter into the Participants' Agreements, the need for power from the projects, the ability to market bonds to finance completion of the projects, and the Supply System's inability to construct the projects in accordance with published budgets and schedules.

The claim against BPA was dismissed in December 1983 for failure to file an administrative claim as required by the Federal Tort Claims Act (FTCA). Chemical Bank filed the required claim with BPA and refiled its action against the United States in April 1984. Chemical Bank asserts that BPA was negligent in allegedly planning Projects 4 and 5 and in compiling load forecasts showing a need for the power to be produced from Projects 4 and 5 when in fact there was no such need. It also alleges that BPA failed to warn the Supply System, bondholders and the public of material adverse information it knew regarding construction and financing of Projects 4 and 5. Chemical seeks to recover the principal amount of all outstanding Projects 4/5 bonds, a total of some $2.25 billion. Chemical Bank is also asserting a claim on behalf of the Supply System against the United States to indemnity, to the extent that the Supply System is liable to Chemical Bank on Chemical's claims against it.

In December 1983 Judge Bilby dismissed the individual utility governing body members as defendants, and denied all other motions to dismiss. This case is consolidated with the MDL 551 litigation discussed below.

E. In re Washington Public Power Supply System Securities Litigation, J.P.M.D.L. No. 551 (W.D. Wash. filed August 23, 1983).

This is a consolidated proceeding involving 13 separate class actions brought on behalf of those who purchased Projects 4/5 bonds prior to the termination of the projects on January 22, 1982. Additional lawsuits have been brought on behalf of those who purchased Projects 4/5 bonds during the period from January 22, 1982, until the decision of the Washington Supreme Court on June 15, 1983. The bond purchasers are suing the same defendants as in the Chemical Bank suit as well as the underwriters, attorneys, architect/engineers, financial consultant, consulting engineer and attorneys involved with the participants in the Supply System Projects 4 and 5.

In late 1983 class plaintiffs solicited bondholders to file tort claims against BPA on the alleged grounds that BPA undertook an active role in furthering construction of WNP-4 and WNP-5. Upwards of 15,000 tort claims have been filed against BPA for an amount in excess of $1 billion. Class plaintiffs also filed a claim purporting to represent all simiarly situated bond purchasers. In September 1984, after the six month statutory waiting period passed under the FTCA, class plaintiffs amended their complaint to plead a negligence claim against the United States which is substantially identical to the claim asserted by Chemical Bank and joined as plaintiffs approximately 10,000 individual claimants. Subsequently additional individual plaintiffs have been joined as their six month statutory waiting period passed.

In September 1984 Judge Bilby granted a motion for change of venue filed by the underwriter defendants and supported by the plaintiffs, but the trial site has yet to be determined. It apparently will be selected from among the choices of San Francisco, Los Angeles, San Diego, and Phoenix. On November 9, 1984, a motion to dismiss all claims against the United States in this case and in the Chemical Bank case was filed by the Department of Justice. Oral argument on that motion was heard on April 3, 1985. The Court has not yet ruled on that motion.

No trial date has been set, but a date in early 1987 is likely

In late February and early March 1985, BPA received tort claims from 10 Oregon utilities and 5 Oregon utility managers alleging liabilities arising out of the construction and financing of WNP-4 and WNP-5. Each claim alleges damages of $2.25 billion. Those claims are not yet connected with the MDL 551 litigation, however, they arise from the same factual situation and are likely to become part of this litigation shortly now that the six month period for review of these claims under the FTCA has run.

F. M.G.I.C. Indemnity Corporation v. PUD No. 1 of Benton County, Washington, et al., MDL No. 551, not yet filed.

The plantiff insured the holders of some of the WNP-4 and WNP-5 bonds. Upon the Supply System's default on those bonds the plaintiff paid the insured bondholders for losses. It now seeks to recover those payments from the United States. The complaint is virtually identical to the one filed in MDL 551. The motions filed by the Department of Justice in the MDL 551 litigation (i.e., above) will apply equally to this case.

G. Other Supply System Litigation

In addition to direct claims against Bonneville, there are lawsuits against the Supply System brought by the bondholders and the bond fund trustee, utilities who loaned money to the Supply System to pay for mothballing and termination of WNP-4 and 5, and lawsuits brought by contractors regarding claims for goods and services provided for WNP-4 and WNP-5. Many of these litigants have asserted a right to execute on all the assets of the Supply System including WNP-1, WNP-2 and WNP-3 to satisfy any judgments in their favor. The claims of the bondholders and the bond fund trustee are still in the discovery stage with trial expected in 1987. The Washington Supreme Court has ruled that the utilities who loaned money to the Supply System to pay for the mothballing and termination of WNP-4 and WNP-5 were limited to satisfying their judgment from the funds of WNP-4 and WNP-5. There are five claims by contractors of WNP-4 and WNP-5 being litigated currently by the Supply System. Four of the cases have yet to be tried. The Supply System has appealed the judgment in favor of the contractor in the fifth case.

II. Rates Litigation

A. Public Power Council v. Johnson, No. 83-7850 (9th Cir. filed November 17, 1983).

This case is a consolidation of suits by all BPA customer groups challenging BPA's 1983 wholesale power and transmission rates.

Petitions were dismissed by stipulation because the 1983 rates were not yet final, with the exception of California Energy Commission v. Johnson, Consolidated Case No. 83-7962. Motion for a preliminary injunction in that case was argued September 14, 1984. However, on August 1, 1985 the Ninth Circuit dismissed that case for lack of jurisdiction, because the 1983 rates which it challenged (non-firm/non-regional) were not yet final, and thus not judicially reviewable under the provisions of section 9(e)(5) of the Pacific Northwest Electric Power Planning and Conservation Act. Because the case did not entail extraordinary circumstances which would warrant the exercise of the Court's powers under the All Writs Act, 28 U.S.C. § 1651(a) (1982), the Court declined review. (BPA's 1983 regional wholesale and transmission rates received confirmation and approval by the Federal Energy Regulatory Commission on July 2, 1985.) New petitions for review were filed within 90 days after final FERC approval of the 1983 rates.

B. Kaiser Aluminum v. Johnson, No. 83-7529 (9th Cir. filed July 19, 1983).

In September 1982, BPA's direct-service industrial customers filed the first lawsuit challenging the 1982 wholesale power rates.

This case consolidated 20 suits involving as parties or intervenors all of BPA's investor owned and public utility customers, direct service industries, and members of the Public Power Council, Public Generating Pool, Pacific Northwest Generating Company, California Energy Commission, Association of Public Agency Customers, Pacific Northwest State Commissions, and California Public Utility Commission. Briefing order established. The court granted a stay for six months until April 1985. An additional 6-month stay was granted. The court granted an additional stay until December 1, 1985.

C. Southern California Edison Co. v. FERC, No. 83-155 (D.D.C. filed June 1, 1983).

California utilities challenge FERC's order confirming and approving BPA's 1979 non-firm wholesale power rates. California utilities seek an order declaring that FERC's action was unlawful because it was arbitrary, capricious, an abuse of discretion, and unsupported by substantial evidence.

BPA filed a Motion for Judgment on the Pleadings on March 12, 1984, and a Reply to parties' responses to that motion on June 8, 1984. The motion was denied. Notice of Recent Decision was filed by the Dept. of Justice on behalf of BPA, November 8, 1984. SCE responded on November 23, 1984, and moved on February 19, 1985 to hold in abeyance pending FERC decision or for six months. Motion is still pending.

D. Southern California Edison Co. v. FERC, No. 83-7841 (9th Cir. filed November 14, 1983); Pacific Gas and Electric v. FERC, No. 83-7942 (9th Cir. filed December 14, 1983); Southern California Edison Co. v. FERC, No. 84-7182 (9th Cir. filed March 16, 1984)

These three cases were consolidated. Petitioners petition for review of the FERC promulgation of regulations for the interim and final approval of BPA rates (FERC Order 323). Petitioners argue that the regulations are contrary to the requirements of section 7(k) of the Northwest Power Act as well as the Administrative Procedure Act. Petitioners seek to vacate the regulations and for remand to FERC, attorney's fees and other equitable relief. Southern California Edison challenges FERC's denial of reconsideration of the regulation for interim and final approval of BPA rates.

The court issued an opinion affirming in part, reversing in part, and remanding the case to FERC.

E. Atlantic Richfield Co. v. BPA, No. 83-7971 (9th Cir. filed December 23, 1983). Consolidated with Intalco v. Johnson, No. 83-7981 (9th Cir. filed December 28, 1983).

The DSIs charge that BPA violated the DSI contracts by imposing new curtailment rights and duties on the DSIs with the "customer charge" included in the 1983 DSI rate. The DSIs seek to have the "customer charge" set aside and to recover costs.

Briefing was stayed until April 1985. Respondents' Brief and Motion to Stay and to Consolidate Case Nos. 84-7971 and 83-7981 were filed July 12, 1985. Oral argument was held on December 4, 1985. The court has not yet rendered a decision.

F. Georgia Pacific Corp. v. United States, No. 761-83 (Cl. Ct. filed December 28, 1983)

The Direct Service Industries (DSIs) contend that the 1983 IP-83 rate, which includes a "customer charge", is a violation of the DSI long term contracts which permit only an "energy charge" and a "demand charge". The DSIs seek damages, interest, and attorney's fees.

Stayed until the Arco and Intalco cases are resolved.

G. City of Seattle v. Johnson, No. 83-7947 (9th Cir. filed December 15, 1983) Consolidated with Puget Sound Power & Light Co. v. Johnson, No. 84-7591 (9th Cir. filed September 12, 1984.)

BPA included an availability charge in the PF-83 rate. Petitioners alleged that the inclusion of the availability charge constitutes a breach of the power sales contract with BPA.

BPA filed its brief on December 28, 1984. Public Generating Pool and Puget Power filed reply briefs on January 11, 1985. Oral argument was held on December 4, 1985. The court has not yet rendered a decision.

H. PUD No. 1 of Clallam County, Washington v. Johnson, No. 84-7255 (9th Cir. filed April 18, 1984)

Clallam County PUD and other PUDs filed a complaint seeking declaratory and injunctive relief against BPA. The PUDs challenge BPA's individual average system cost Average System Cost determinations.

Stayed until October 1, 1984. The case will go to brief. Procedural schedule set by Order dated May 13, 1985. Again stayed until December 15, 1985.

I. Public Power Council v. Johnson, No. 84-7564 (9th Cir. filed August 29, 1984)

Petition for review and complaint against action of BPA on account of BPA's legal interpretation of section 7(b)(2) of the Northwest Power Act. PPC claims the interpretation is improper and illegal and seeks an order setting it aside and costs.

BPA filed a motion to dismiss on February 21, 1985. Petitioners have filed a Memorandum in Opposition to the Motion to Dismiss, March 15, 1985. Companion case (84-7772 on Implementation methodology) was dismissed by Ninth Circuit by Order dated May 22, 1985). BPA filed a motion for leave to reply and a reply to PPC's Memorandum in Opposition on May 29, 1985. PPC responded opposing motion for leave to file reply on May 31, 1985. BPA's motion for rehearing was denied. The briefing schedule is not yet established.

J. Pacificorp v. Federal Energy Regulatory Commission, No. 84-7569 (9th Cir filed August 31, 1984.) Consolidated with Pacificorp v. BPA, No. 84-7862 (9th Cir. filed December 21, 1984, and Pacificorp v. Federal Energy Regulatory Commission, No. 85-7103 (9th Cir. filed February 21, 1985).

These consolidated cases challenge the Revised Average System Cost Methodology on the grounds that the methodology was revised before it had been final for one year, and that such revision violates the Residential Exchange Contracts between plaintiffs and BPA. A variety of claims are presented, including a request for declaratory relief for breach of contract, a request for a declaration that Average System Cost revisions were unconstitutionally predetermined by BPA Administrator, and a claim that the Administrator exceeded his authority when the Average System Cost was revised.

On March 1,1985, these cases were consolidated following a Prebriefing Conference on February 26, 1985. Petitioners' Opening Brief was filed on May 1, 1985. FERC's brief was filed on June 14, 1985. Respondent BPA and intervenors filed their briefs on July 1, 1985. Petitioners may reply by July 22, 1985. Petitioners have requested a one week extension. Oral argument was scheduled for September 10, 1985. A decision is pending.

K. California Energy Resources Commission v. Johnson, No. 81-7809 (9th Cir. filed December 4, 1981) (CEC I)

Petitioner, an agency of the State of California, asks the Court to void certain provisions of BPA's Northwest Power Act power sales contracts. Its petition for review contends that certain parts of paragraph 8 of the BPA General Contract Provisions annexed to the Northwest Power Act power sales contracts are illegal and void because they:

> (1) bind BPA to a particular method of wholesale ratemaking without complying with the Northwest Power Act;
>
> (2) establish a rate ceiling on certain firm energy purchases which results in the California utilities being charged a higher rate for nonfirm surplus energy; (3) limit BPA sales outside the region to surplus energy and surplus peaking capacity, thereby perpetuating the "Northwest priority;" and (4) require return of energy delivered in connection with BPA sales of peaking capacity in California to BPA if it has a demand for such energy at any established BPA rate. Petitioner also alleges that since Residential Exchange Contract Provision 4 can result in increasing BPA's cost of service, and as a consequence, the rates paid by California purchasers, it is invalid as violating the requirements of the Northwest Power Act that BPA acquire only those resources that are cost effective.

The Ninth Circuit granted one CEC motion for a time extension to file a brief but denied a second motion for further extension on June 10, 1982. BPA opposed both motions and sought to have the case dismissed for failure to file a brief and for lack of standing. The motion to dismiss for failure to file a brief was denied. The issues of standing and possible sanction against CEC were deferred to the merits panel.

Petitioner's opening brief was found to be seriously defective and the court by order of June 30, 1982, gave petitioner 14 days to correct the deficiencies. Petitioner mailed a motion and corrected brief on July 12, 1982; the court ordered the brief filed over BPA's opposition. CEC Reply brief filed May 13, 1985. Oral argument is completed. A decision is pending.

L. Clearwater Power Company v. Johnson, No. 85-7320 (9th Cir. filed June 6, 1985).

Raft River Co-op v. Johnson (8/20/85 BPA decision); Clearwater Power v. Johnson (9/5/85 BPA decision); Clearwater Power v. Johnson (BPA Doc. No. 26-A3-8401); Clearwater Power v. Johnson (BPA Doc. No. 26-A3-8501); Benton Rural v. Johnson (BPA Doc. No. 33-A2-8401); Umatilla Co-op v. Johnson (BPA Doc. No. 29-A1-8501); Raft River Co-op v. Johnson, No. 85-7519 (9th Cir. filed September 18, 1985); Umatilla Co-op v. Johnson, No. 85-7520 (9th Cir. filed September 18, 1985).

In each case, petitioner, a cooperative/preference customer of BPA, contends that the Administrator improperly interpreted Section 5(c)(7) of the Regional Act and applied the Average System Cost Methodology illegally.

The attorney for petitioners has stated that he may file additional appeals on behalf of other cooperatives. For each of these cases, both filed and not yet filed, petitioner's attorney has expressed petitioner's intent to seek a six-month stay during which to resolve the dispute.

M. City of Idaho Falls v. U.S. Department of Energy, No. 85-7302 (9th Cir. filed May 28, 1985).

Idaho Falls challenges two actions by BPA Administrator. First, Idaho Falls claims that BPA erroneously concluded that BPA overpaid Idaho Falls under the Exchange Transmission Credit Program. Second, Idaho Falls claims that BPA erroneously concluded that its Average System Cost filings were in error. Idaho Falls asks for amounts due plus interest.

Docketing statement filed June 14, 1985. No briefing schedule is yet established.

N. Central Electric Cooperative, Inc., v. Bonneville Power Administration, No. 85-7242 (9th Cir filed April 30, 1985).

Challenges BPA's revision of its February 1, 1985, Average System Cost filing.

Docketing Statement filed May 8, 1985. No briefing schedule is yet established.

O. CP National Corporation v. United States, No. 693-84C (Ct. Cl. filed December 26, 1984).

Plaintiff IOUs sue for breach of contract and money damages, alleging that BPA's revised Average System Cost methodology was untimely and violates its Residential Exchange contracts with plaintiffs.

A stay of proceedings for one year, until February 25, 1986, has been granted upon motion from the U.S. Department of Justice. The purpose of the stay is to await resolution of Pacificorp v. Federal Energy Regulatory Commission, No. 84-7569 (9th Cir. filed August 31, 1984), described in section "O" of this document's section on rate cases.

P. Coos-Curry v. Johnson, No. 85-7339 (9th Cir. filed June 12, 1985).

Petitioner, a preference customer of BPA, contends that the Administrator improperly failed to provide reimbursement to the utility to compensate for the withdrawal of the transformation charge component of BPA's 1979 PF rate.

Parties are awaiting the establishment of a briefing schedule.

III. Power Sales Contracts Litigation

A. Forelaws On Board v. Johnson, No. 82-7319 (9th Cir. filed June 2, 1982).

Petitioners allege BPA should have prepared an EIS prior to initial offer of long-term contracts under Pacific Northwest Power Act § 5(g).

The case was argued before the Ninth Circuit Court of Appeals on March 13, 1984. In an opinion for the 3-judge panel written by Schroeder issued September 25, 1984, the Ninth Circuit ordered an EIS on the contracts but did not enjoin their performance. Respondents petitioned for a rehearing, which was denied January 21, 1985.

A Notice of Intent to prepare an EIS was published in the Federal Register on March 6, 1985 (50 F.R. 9116). Scoping meetings were held around the Region in October 1985. Written comments were received and a mailing list of interested persons has been developed. A summary of the written comments and a status report on the preparation of the EIS will be sent to the mailing list on or about December 2. A "cross-comment" period on the summary of written comments (and on the comment letters themselves) will end on January 31. There will be a scoping meeting on December 19, 1985 from 9:00 am to noon at the BPA headquarters building in Room 464. Scoping continues with a draft Implementation Plan that will be sent to the mailing list in Spring 1986.

B. Department of Water and Power of the City of Los Angeles, et.al. v. United States, No. 181-84C (Cl. Ct. filed May 2, 1984)

On December 16, 1983, The Department of Water and Power of the City of Los Angeles (LADWP) filed suit in U.S. District Court alleging that BPA violated the LADWP-BPA Exchange Agreement by requiring LADWP to deliver obligation energy to BPA at only the Nevada-Oregon border or Mead substation. LADWP sought declaratory relief, injunctive relief and monetary damages.

On February 3, 1984, BPA filed a motion to dismiss for lack of jurisdiction, arguing that jurisdiction was properly in the U.S. Claims Court. On May 2, 1984, LADWP filed an amended complaint in the U.S. Claims Court. Joining with LADWP in the complaint were the cities of Glendale, Burbank and Pasadena. The U.S. filed an answer with the Court on August 16, 1984.

On September 28, 1984, BPA cancelled the LADWP-BPA Exchange Agreement for breach by LADWP over a dispute regarding Intertie access by B.C. Hydro under the Interim Near Term Intertie Access Policy enacted on September 7, 1984. (See LADWP v. BPA, No. 84-7618, infra.) As a result of the cancellation of the agreement which is the basis of the lawsuit, LADWP filed a second amended complaint and the U.S. filed an amended answer and counterclaim.

Settlement negotiations began in June 1985. During the month of August, LADWP returned to BPA the energy that it had kept in September 1984. At this time, the U.S. is filing a motion for dismissal of its counterclaim. Settlement negotiations are continuing and are premised on the execution of a 1986 seasonal sale of capacity to LADWP. The Claims Court has set a new discovery completion date of March 6, 1986.

C. Department of Water and Power of the City of Los Angeles v. Bonneville Power Administration, No. 84-7618 (9th Cir. filed September 20, 1984).

LADWP filed a petition for review of agency action and accompanying motion for stay in opposition to BPA's adoption of the Interim Near Term Intertie Access Policy on an interim basis on September 7, 1984. LADWP contends that BPA lacks statutory authority to allocate Intertie capacity on other than a purely competitive basis or to exclude B.C. Hydro sales from the Intertie under certain conditions. LADWP also contends that the Policy should be set aside because it is arbitrary, capricious and not in accordance with BPA's organic statutes and the antitrust laws.

On November 13, 1984, the Court denied LADWP's motion for stay.

The case was argued before a three-judge panel of Skopil, Goodwin and Kilkenny on January 16, 1985. On April 24, 1985, the Court issued its opinion upholding the Interim IAP specifically and BPA's broad authorities to manage the Intertie in general. The Court ruled that BPA has the authority to allocate Intertie access on other than a purely competitive basis, to reserve Intertie capacity for BPA's present and reasonably foreseeable sales, to provide priority treatment to Northwest utilities, and to use its discretion in determining whether to transmit Canadian-generated power.

LADWP has decided not to appeal the ruling. However, both the California CEC and the California PUC filed motions with the Court to intervene (post-judgment) in the LADWP case for purposes of arguing for rehearing or filing for certiorari, to consolidate the LADWP case with their own Intertie Access Policy challenges, and to stay the LADWP opinion until their own cases are decided. One June 14, 1985, the Court denied all of these motions. BPA has since received a certified copy of the Court's judgment in the LADWP case.

D. California Energy Resources Conservation and Development Commission v. Bonneville Power Administration, No. 84-7836 (9th Cir. filed December 5, 1984) consolidated with Public Utilities Commission of California v. Johnson, No. 84-7838 (9th Cir. filed December 6, 1984)

CEC and CPUC filed briefs attacking the Intertie Access Policy (IAP). Specifically, the CEC/CPUC briefs allege that the IAP is (1) ratemaking, (2) arbitrary and capricious, (3) in violation of BPA's statutory duty to treat all utilities alike, including Canadian utilities, (4) in vioaltion of established principles of antitrust law, and (5) in violation of BPA's duty not to discriminate against new generating resources.

Petitioners' motions to intervene (post-judgment) in the LADWP case (84-7618), to consolidate this case with LADWP, and to stay the opinion in LADWP pending the resolution of this case were denied by the Court on June 14, 1985. Petitioners have filed their opening briefs. BPA will file a motion to dismiss all but the ratemaking issue on December 6, 1985. Petitioners will respond by January 17, 1986.

IV. Miscellaneous Litigation

A. Montana Power Company v. United States, No. 123-82C (Cl. Ct. filed March 4, 1982)

On April 16, 1981, Montana Power Co. (MPC) filed a complaint in Federal District Court (E. D. Wash. No. C-81-195-RJM) against BPA and five utilities. MPC sought retroactive increases in headwater benefit payments under the Coordination Agreement from all the defendants. MPC's claim arose from a retroactive increase in land rentals (approved by FERC), which MPC pays to Indian tribes for use of their land in operating the Kerr Dam and reservoir. BPA had declined to pay the retroactive increase, due to a previous Ninth Circuit decision holding that the Coordination Agreement does not provide for retroactive adjustments to headwater benefit payments. On motion by the United States, this case was transferred to the Claims Court in March 1982. The case remains in Federal District Court with respect to the other defendants.

On cross motions for summary judgment the court decided in Montana Power Co.'s favor on September 24, 1985. A decision on a possible appeal has not yet been made.

B. Public Utility District No. 1 of Clark County v. Johnson, No. 82-7567 (9th Cir. filed October 1, 1982).

Clark County PUD filed a complaint alleging that it entered into a Power Purchase Agreement with the Great Western Malting Company (GWM) to purchase the output of the GWM cogeneration project in reliance upon BPA's representations that BPA would acquire the output of the GWM cogeneration project from Clark County. Clark County alleges that it has been harmed because BPA declined to acquire the project output and the project is not cost-effective for Clark County's own use. Clark County seeks both monetary damages and equitable relief.

Clark County alleges that BPA is liable in tort for misrepresentation, negligent misrepresentation, and tortious breach of statutory duty. In addition, it is alleged that BPA, by failing to acquire this resource, violated the Administrative Procedure Act, section 6(a) of the Northwest Power Act, and section 210 of the Public Utilities Regulatory Policy Act (PURPA 210).

On November 16, 1982, BPA filed an administrative record of the Administrator's decision not to acquire the GWM cogeneration project, including documentation of BPA's entire Request for Resources (RFR) program which formed the basis for the decision not to acquire the project. On March 2, 1983, a pre-trial conference was held with the Court. Questions concerning discovery and the scope of the Ninth Circuit's subject matter jurisdiction over this case were raised and briefed.

Clark County's motion to compel discovery was granted in part, and Magistrate Juba was appointed special master to oversee discovery. BPA's claim of privilege of certain documents was upheld by Magistrate Juba. This ruling was set aside by the 9th Circuit for failure to follow proper procedures. After the privilege was properly re-asserted, the Ninth Circuit denied BPA's claim of privilege. Discussions were initiated to determine whether or not settlement was possible. These discussions have not proceeded. The case is over three years old.

After a one year lapse in prosecution, Clark County recently filed a motion for order appointing a special master and a motion for leave to perpetuate the testimony of a non-party. BPA has filed a responsive pleading to the latter motion and is awaiting the court's decision. BPA's memorandum in opposition to the appointment of a special master is due December 4, 1985.

C. Seattle Master Builders Association v. Northwest Power Planning Council, No. 83-7585 (9th Cir. filed July 29, 1983).

Petitioners, a coalition of homebuilders and residential construction material suppliers filed a Petition for Review of the Northwest Conservation and Electric Power Plan (Plan) adopted by the Council. Petitioners challenge the legality of the Plan's Model Conservation Standards for new housing conservation measures on statutory and constitutional grounds. Petitioners challenge the adoption of the standards for violations of the Northwest Power Act, the Administrative Procedures Act and state and federal environmental law. Petitioners further challenge the Constitutional authority of the state-appointed Council to require BPA, a federal agency, to implement the Council's Plan by asserting that such authority violates the Constitution's Appointments Clause.

The Council argues that the Plan was lawfully adopted. With respect to the Appointments Clause issue, the Council argues that it does exercise significant authority pursuant to Federal law. However, because its members are not Federal officers by the terms of the Northwest Power Act, they do not have to be appointed by the President.

The Federal Government argues that it is not necessary for the Court to decide the Constitutional issue in this proceeding because the Council's authority with respect to BPA's implementation of the standards is clearly only advisory.

Amicus briefs in support of the Petitioners have been filed by Pacific Legal Foundation, Salmon River Electric Cooperative, Idaho County Power & Light and Unity Light and Power.

Amicus briefs in support of the Council have been filed by the City of Tacoma, Northwest Conservation Coalition, the States of Oregon, Idaho, Montana, and Washington, the National Governors' Association, and the California State Energy Resources Conservation and Development Commission.

Oral argument was heard in Seattle, Washington on May 9, 1985. No decision has been rendered to date.

D. Columbia Basin Land Protection Association v. Schlesinger, 643 F.2d 585 (9th Cir. 1981) on remand, Civil No. 76-006 (E.D. Wash.).

This litigation challenged the right of BPA to build the Lower Monumental-Ashe 500-kV line, the purpose of which is to transmit power generated along the Lower Snake River. At issue were (1) the adequacy of BPA's environmental impact statement (EIS), (2) whether the line routing decision was arbitrary and capricious, (3) the necessity for compliance with local land-use regulations, (4) whether an EIS was required for crossing Bureau of Reclamation lands, and (5) whether the Federal Land Policy Management Act permit obligated BPA to meet substantive siting standards of the State of Washington that were more stringent than those of BPA.

The Ninth Circuit Court of Appeals held for BPA on all issues except the one relating to compliance with the more stringent State of Washington siting standards and remanded the case to the District Court for consideration of that issue. The Circuit Court directed BPA to provide information which Washington needs to determine whether BPA has met the State's substantive standards.

The case was left open pending resolution of whether substantive standards exist, and if so, whether there is any conflict with the standards and the transmission line. The State of Washington has found BPA to be in compliance with its substantive standards. Case still pending awaiting action to formally dismiss the case.

E. Confederated Tribes of the Colville Indian Reservation, v. U.S., No. 181-D (ClCt 1951) (This claim was part of a more general claim filed with the Indian Claims Commission in 1951.)

The Colvilles claim compensation for the U.S.' use of its lands for the production of power at Grand Coulee Dam and that this compensation should be an annual charge at least equivalent to the rentals the Colvilles would have received had they licensed the site for development to a non-Federal entity. The U.S. relies upon a superior navigational servitude so that the Colvilles cannot claim compensation for the water flow values of the Columbia River. The Colvilles argue that the navigation servitude is no bar to recovery when they seek compensation under the Indian Claims Commission Act, which authorized recovery on "moral" grounds not cognizable in conventional law or equity. Alternatively, they argue that even if the navigational servitude applies to suits based upon extralegal grounds, they should recover compensation because (1) failure to provide compensation constitutes a breach of the trust relationship that the U.S. has with the tribes and (2) with respect to the Grand Coulee Project, Congress undertook a special obligation to compensate the Colvilles for water flow values.
The U.S. has filed a motion for summary judgment. The Colvilles have filed a cross-motion for summary judgment. Briefing is completed. The Claims Court has not yet set a date for oral argument or rendered a decision.

V. Tort Claims

Numerous tort claims have been filed against BPA which are in litigation. To the extent that any of the plaintiffs obtain monetary damages, no financial impact on BPA will result because any recoveries will be paid out of Department of Justice funds for payment of judgments.

Southeastern

DEPARTMENT OF ENERGY

Proposed Appropriation Language

Operation and Maintenance, Southeastern Power Administration

For necessary expenses of operation and maintenance of power transmission facilities and of marketing electric power and energy pursuant to the provisions of Section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s), as applied to the southeastern power area, $19,647,000, to remain available until expended.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW

Southeastern Power Administration
Operation and Maintenance

The goal of the Southeastern Power Administration (SEPA) program is to provide for the transmission and disposition of Federal hydroelectric power in the Southeast in a fair and orderly manner. The power produced by 81 generating units located at 22 hydroelectric projects throughout the Southeast makes an important contribution to the peaking power requirements of the area. A large number of area systems depend upon SEPA power to carry load, provide reserves, and help meet emergency conditions.

The program is structured to encourage widespread use of available Federal power; to make the power available at the lowest possible rates to consumers consistent with sound business principles; to formulate power rates to recover all costs of producing and transmitting power including amortization of capital investment allocated to power over a 50-year period; to give preference in the sale of power to public bodies and cooperatives; to utilize existing area transmission facilities to accomplish transmission of power to customers; to integrate projects to the maximum feasible extent and operate projects to provide maximum power contribution in meeting area power requirements; and to encourage development of additional hydroelectric power projects that are economically and environmentally feasible.

Program accomplishments during FY 1985 include:

- Marketed power produced to 223 wholesale customers in 10 states from 22 operating projects which have a combined capacity of 3,092,375 kilowatts.
- Receipts deposited from power sales in FY 1985 totaled $79,420,314.
- Negotiated and executed new contracts with preference entities and private utilities implementing the new power marketing policy for the ten-project Georgia-Alabama system in the Southern Company service area.
- Completed all administrative activities related to a new long-term written power marketing policy for the Kerr-Philpott System and issued and published the final policy.

Program expectations for FY 1986 include:

- Pursue negotiation or renegotiation of major contractual arrangements in the Georgia-Alabama, (eastern portion) Kerr-Philpott, and Cumberland Systems implementing power marketing policies expected to benefit approximately 250 preference customers.
- Prepare financial feasibility studies of several proposed hydroelectric projects.
- Estimated receipts from power sales are $108,685,000.

Specific objectives for FY 1987 to FY 1990, designed to meet the requirements of Section 5 of the Flood Control Act of 1944, are:

- Negotiate and execute any remaining contractual arrangements for power marketed pursuant to written power policy to existing and additional customers.

- Administer approximately 300 contracts which benefit approximately 500 preference customers in a fair and effective manner that carries out the intent of contract provisions.

- Formulate and obtain confirmation and approval of wholesale power rates for each of Southeastern's systems of projects.

- Seek favorable resolution of pending lawsuits brought against the Department and Southeastern.

- Market on a long-term basis power made available from the Richard B. Russell Project which will add 300,000 kilowatts of pumped storage power, scheduled to begin operation in 1990.

- Prepare analyses of proposed hydroelectric projects to assure that developments are financially and environmentally sound and make maximum use of resources.

- Repayment reform is being proposed as a legislative initiative.

Although funds are included in the budget for operating the power marketing administration in 1987, the Administration will actively seek to privatize these utility systems. Utilities are not normally a Federal responsibility, and non-Federal owners can operate the PMA's as efficiently, or more efficiently, than the Federal Government.

The Administration will pursue privatization through an open process. It will be guided by the following principles: (1) seek a fair return to the Federal taxpayers from the privatization of these assets, (2) recognize the benefits currently enjoyed by existing customers, and (3) recognize and provide appropriate protections for the personnel benefits of Federal employees.

Before implementation of privatization, the Administration will seek the views of, and promote interest among, concerned groups and individuals, including Congressional delegations, State and local official, current customers, the financial community, and public power and private sector energy interests.

It is expected that the Power Administrations will be sold with all the PMA's being transferred from Federal control by FY 1991. In the interim, the FY 1987 budget proposes to modify PMA capital investment repayment practices legislatively, consistent with sound business principles, to protect the interests of the Nation's taxpayers. These modifications require repayment of the unpaid balance of the original Federal investment at a level not less than would be required under a fixed, straight-line amortization schedule for each power investment financed by appropriations and placed in service. This requirement would not apply to irrigation investments. Repayments of principal, if necessary, can be deferred, subject to the same terms and conditions applicable to deferred interest payments, (e.g., current interest rates are used because the deferral helps finance current operations. The impact of this repayment proposal is relatively modest compared to the proposal made last year in the 1986 budget.

Receipts from power sales using revised repayment criteria are estimated at $130,100,000 in FY 1987.

Accomplishment of these objectives will help meet the objectives of pertinent public laws; make an important contribution to the peaking power requirements of the area; contribute significantly to the reliability of a large number of area systems; and provide a significant contribution to the maintenance of the pluralistic power industry and to the area's economic well-being.

DEPARTMENT OF ENERGY
1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
POWER MARKETING - SOUTHEASTERN POWER ADMINISTRATION

(Tabular dollars in thousands. Narrative material in whole dollars

	1985 Approp.	1986 Adjusted Approp.	1987 Base	1987 Request	Request vs Base
Operation and Maintenance					
Operating Expenses . . .	$ 1,904	$ 1,856	$ 1,864	$ 2,031	$+ 167
Purchase Power and Wheeling	33,840	12,879	12,879	19,705	$+6,826
Total, O&M (Program level) ..	$35,744	$14,735	$14,743	$21,736	$+6,993
Deferral applied				-2,089	
New budget authority requested				$19,647	
Staffing Total FTE's	38	40	40	40	-

Authorization: Section 5, Flood Control Act of 1944 (16 U.S.C. 825s)
Section 302 of Department of Energy Organization Act (42 U.S.C. 7152)

FY 1987 Congressional Budget Request

Adjustments to FY 1986 Appropriations

	FY 1986 Conference	FTE General Reduction	Adj. Approp. Total
Southeastern Power Administration			
Operation and Maintenance Operation Expenses	$ 1,866	$ -10	$ 1,856
Purchase Power and Wheeling	12,879	---	12,879
Subtotal, Southeastern Power Administration...........	$ 14,745	$ -10	$ 14,735
FTE Reduction......................	-10	+10	
Use of Prior Year Balances (SEPA)...	-14,735	---	-14,735
Total, Southeastern Power Administration.........	$ ---	$ ---	$ ---

SUMMARY OF CHANGES

1986 Adjusted Appropriation	$14,735
Built in increases and decreases:	
Increased rent	+ 8
FY 1987 base	$14,743
Program increases and decreases:	
Operation and Maintenance	
Personnel compensation and related costs	+ 41
Nominal increases in support functions	+ 126
Purchase Power and Wheeling	
Additional contractual requirements	+ 6,826
1987 budget request	$21,736
Deferral applied	- 2,089
1987 new budget authority request	$19,647

NARRATIVE JUSTIFICATION

This budget request provides for (1) scheduling the generation of power and supervision of power deliveries; (2) purchase of firming energy to meet customer load requirements and payment of wheeling charges for delivery of power over non-Federal transmission lines; (3) administration of contracts for the sale of power and energy, and establishment of rates to assure repayment of power costs; and (4) general administration and support of Southeastern's power marketing program.

The budget proposal provides for the continuation of the basic power marketing program with implementation of announced power marketing policies without new program initiatives.

Southeastern does not own or operate any transmission facilities and carries out its marketing program by utilizing the existing transmission systems of the power utilities in the area. This is accomplished through "wheeling" arrangements between Southeastern and each of the area utilities with transmission lines connected to the projects. The utility agrees to deliver specified amounts of Federal power to customers of the Government, and Southeastern agrees to compensate the utility for the wheeling service performed.

Southeastern's power marketing policies for its respective systems anticipate that all available power, both capacity and energy, will ultimately be sold as peaking power to preference customers to more completely comply with the law, with no sales to the non-preference utilities who provide wheeling services. Southeastern is progressing as rapidly as possible to negotiate and execute contractual arrangements implementing the policies.

Operation and Maintenance..$2,031,000

The request for this activity will continue basic power marketing program activities. The request provides for increases resulting primarily from statutory within grade and Performance Management Recognition System increases, terminal leave payments, additional personnel benefit costs, and from higher administrative costs for support functions.

The activity provides (1) scheduling the generation of power and supervision of power deliveries; (2) administration of contracts for the sale of power and energy and establishment of rates to assure repayment of power costs; and (3) general administration and support of Southeastern's power marketing program.

Southeastern will continue to be engaged in intensive negotiations with wheeling agents and existing and new preference customers to complete marketing arrangements implementing its new final Kerr-Philpott marketing policy in the Appalachian Power Company, Virginia Power, and Carolina Power & Light Company service areas. Similar efforts will be undertaken to implement the Cumberland Basin marketing policy in the Carolina Power & Light (Western Division) and Kentucky Utilities service areas. Southeastern will also analyze the financial feasibility of potential hydroelectric resources in the ten Southeastern states within which Southeastern has marketing responsibility as well as selected projects which have been assigned outside the area.

Southeastern will maintain power billing, collection, and payment functions under approximately 300 contracts which will benefit more than 500 preference customers and will prepare financial and marketing analyses with respect to existing and potential projects. Southeastern will also coordinate power operations of 22 operating projects with 6 Corps of Engineers division and district offices and 19 scheduling utilities. Determinations of capacity and energy availability are made weekly in arriving at quantities available to meet contractual commitments from the various projects. A continuing review of actual project operations is performed to assure that computer models provide reliable data and to assure that maximum production is obtained from the water available.

Southeastern within the provisions of its contracts, is maintaining contacts with the various utilities that it serves to provide delivery of peaking power in advance of entitlement to the extent possible to keep oil-fired generation from being put on line to serve peaking loads or for generation during emergency outages of other equipment. The additional deliveries are accomplished with full cooperation of the Corps of Engineers.

The major portion of the request for this activity provides funding for personnel compensation and related costs and reflects the continuation of the current manpower level of 40 full-time equivalents. Additional power resources from the conventional units at Richard B. Russell project, which began initial generation in January 1985, represents an 11 percent increase in the power to be marketed. Additionally, as a result of changes in the marketing program, SEPA will serve significantly more customers, including individual preference entities benefiting through organizations comprised of many preference entities. These increased customers are served within enlarged marketing areas under new and unique marketing parameters, which impact workload throughout the agency. SEPA will strive to accomplish these workload increases within the current manpower level through improved management of human resources and additional use of automation.

The request of this activity provides for continued replacement of rehabilitation of office equipment which has been in service for long periods of time; provides for equipment additions and associated costs necessary to achieve improved space utilization; and includes minimal additional ADP equipment, software, and associated costs to enhance existing computer support and required to improve billing operations, provide more reliable and timely financial data, and to perform complex technical hydrologial and project operations studies.

Purchase Power and Wheeling.......................................$19,705,000

The request for this activity provides for continued implementation of announced power marketing policies. The requested increase is required for payment of transmission services under contractual arrangements with area utilities with the major portion of the increase required under contractual arrangements with Georgia Power Company.

Funds provided for this activity are used only to pay amounts charged the Government under contractual arrangements for (1) delivery of power over non-Federal systems to load centers of preference customers for the account of the Government, (2) purchase by the Government of energy during adverse water periods, if necessary, and (3) to provide support capacity required to meet commitments for the Jim Woodruff Project under adverse water conditions.

Southeastern has been deeply involved in the development of new written power marketing policies which will allow all available Southeastern power to be marketed to preference customers in the future. These new policies have been implemented as new contracts were executed for the respective marketing areas. Contracts providing for the sale of all power to both existing and new preference customers which are expected to be in effect during FY 1987 cover the following Southeastern sales:

1. That portion of the power produced in the Georgia-Alabama System of Projects to be sold within the Duke Power Company service area.

2. That portion of the power produced in the Georgia-Alabama System of Projects to be sold within the service areas of South Carolina Public Service Authority and South Carolina Electric and Gas Company.

3. That portion of the power produced in the Cumberland River System which is wheeled outside the TVA service area as well as that portion sold within the TVA service area.

4. That portion of the power produced in the Cumberland system and designated to be marketed in the service areas of Carolina Power & Light Company (Western Division) and Kentucky Utilities.

5. Power produced in the Kerr-Philpott System to be marketed in the Appalchian Power Company, Virginia Power, and Carolina Power & Light Company service areas.

Funding is required to pay wheeling charges to transmit power to these preference customers.

Wheeling charges to transmit power to preference customers in the Southern Company Service Area of the Georgia-Alabama System (Georgia, Alabama, Mississippi, and the Panhandle of Florida) will be handled, to the extent possible, by "net billing" with the affected utilities during this period. Decreasing quantities of capacity will be sold to the utilities through May 1991, and charges to the utilities for this capacity will be used to offset charges by the utilities for transmission services provided. The offsetting of respective bills is called "net billing." During 1987 increased funding will be required for payment of transmission services under contractual arrangements with Georgia Power Company, since capacity sales to the Company will be insufficient to fully "net bill" the charges for transmission services provided by that Company.

Additionally, purchase power and wheeling funds are required under the provisions of existing contracts for the sale of power produced at the Jim Woodruff Project and now sold in the Florida Power Corporation service area.

All of Southeastern's costs in the power marketing program are repaid from Southeastern power revenues either through "net billing" or by receipts deposited in the Treasury.

Department of Energy

FY 1987 CONGRESSIONAL BUDGET REQUEST

SYSTEMS STATISTICS

Southeastern Power Administration

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Generating capacity:			
Installed capacity (kw)	3,017,375 a/	3,092,375 a/	3,092,375
Peak capacity (kw)	3,231,874	3,300,000	3,300,000
Generating stations:			
Generating projects (No.)	22	22	22
Available energy:			
Energy generated (mwh)	5,581,591	7,700,000	7,700,000
Energy purchased (mwh)	5,573	10,000	10,000
Adjustment for Energy Account (mwh)	661,916 b/	- - -	- - -
Energy available for Marketing (mwh)	6,249,080 c/	7,710,000	7,710,000

a/ Richard B. Russell has four conventional units of 75,000 kw of capacity per unit. Three went on line in fiscal year 1985 and the fourth is scheduled for fiscal year 1986.

b/ Energy was stored in energy accounts maintained with wheeling utilities.

c/ Includes transmission losses of 211,023 mwh. Energy marketed amounted to 6,038,057 mwh.

Department of Energy

FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER MARKETED, WHEELED, OR EXCHANGED BY PROJECT

Southeastern Power Administration

Project Power Marketed	State	Plants	Installed Capacity (KW)	FY 1985 Actual Power (GWH)	FY 1986 Estimated Power (GWH)	FY 1987 Estimated Power (GWH)
John H. Kerr	Va.-N.C.	1	204,000			
Philpott	Va.	1	14,000	285*	440*	440*
Allatoona	Ga.	1	74,000			
Buford	Ga.	1	86,000			
Carters	Ga.	1	500,000			
Clarks Hill	Ga.-S.C.	1	280,000			
Walter F. George	Ga.-Ala.	1	130,000	3,046*	3,500*	3,500*
Hartwell	Ga.-S.C.	1	344,000			
R. F. Henry	Ala.	1	68,000			
Millers Ferry	Ala.	1	75,000			
West Point	Ga.-Ala.	1	73,375			
Richard B. Russell	Ga.-S.C.	1	300,000 a/			
Jim Woodruff	Fla.-Ga.	1	30,000	227	240	240
Barkley	Ky.	1	130,000			
Center Hill	Tenn.	1	135,000			
Cheatham	Tenn.	1	36,000			
Cordell Hull	Tenn.	1	100,000	2,480*	3,060*	3,060*
Dale Hollow	Tenn.	1	54,000			
Old Hickory	Tenn.	1	100,000			
J. Percy Priest	Tenn.	1	28,000			
Wolf Creek	Ky.	1	270,000			
Laurel	Ky.	1	61,000			
Total, power marketed		22	3,092,375	6,038	7,240	7,240

*Projects are integrated hydraulically, electrically, and financially for marketing purposes.

a/ Richard B. Russell has four conventional units of 75,000 kw of capacity per unit. Three went on line in fiscal year 1985 and the fourth is scheduled for fiscal year 1986.

FY 1987 CONGRESSIONAL BUDGET REQUEST

PENDING LITIGATION
Southeastern Power Administration

ElectriCities of North Carolina, Inc., et al v. SEPA, ET AL., No. 84-2152 (4th Circuit decided March 19, 1985); United States District Court Eastern District of N.C., Civil Action No. 84-625-Civ-5

On June 15, 1984, ElectriCities of North Carolina, Camden and Bennettsville, South Carolina, filed another suit against Southeastern in the U. S. District Court for the Eastern District of North Carolina in Raleigh, North Carolina, seeking a preliminary injunction requiring SEPA to impose market rates on its power sold to existing customers pursuant to its interim Kerr-Philpott policy and to establish an escrow account to retain the difference between SEPA's at-cost rates and market rates for their benefit pending issuance of a final policy. The suit also sought a mandamus to require SEPA to issue a final Kerr-Philpott policy within 30 days. After extensive briefing and oral arguments, the District Court denied the preliminary injunction on August 2, 1984. ElectriCities appealed this order to the Fourth Circuit Court of Appeals and secured an expedited briefing schedule. Oral arguments were presented to a three-judge panel of the Fourth Circuit on January 7, 1985, and on March 19, 1985, the court affirmed the District Court's ruling.

The mandamus issue was fully briefed on cross motions for summary judgment and oral arguments were presented to the district court on February 15, 1985. On June 18, 1985, the court ordered SEPA to formulate and issue a final policy for the Kerr-Philpott system. SEPA appealed the order but fully complied by issuing a final policy on July 18, 1985. Thereafter, on SEPA's motion the Fourth Circuit Court of Appeals ordered on November 18, 1985, the district court to vacate its prior order as moot. On December 3, 1985, ElectriCities filed a motion with the district court to not dismiss the suit, but to retain jurisdiction of the case while SEPA implements the policy and require SEPA to make a report to the court each 90 days on its progress in negotiating the necessary contracts. SEPA has filed briefs opposing this motion and is awaiting a ruling by the court.

United States v. Kentucky Utilities Co., Civil Action No. 81-52 (E.D. Kentucky)

In 1981, the Department of Justice filed this anti-trust action against Kentucky Utilities Company based largely upon KU's refusal to deal with SEPA except under anticompetitive conditions regarding the wheeling of 25,000 kilowatts of SEPA's Cumberland System power to eight Kentucky municipalities located within KU's service area. Coincidentally, SEPA had sought from the Federal Energy Regulatory Commission an order under Sections 211 and 212 of the Federal Power Act requiring KU to wheel power to the municipals but was refused such an order by its final decision of February 3, 1984. The proceedings before FERC were preceeded by some 5 years of unsuccessful negotiations with the company. This action is presently in the discovery stage and being prepared for trial. Although SEPA is not a party to this proceeding, Justice periodically requests assistance and if trial is had SEPA may be called upon for more extensive support.

Southeastern Power Administration, Docket No. EF-86-3011-000 Before the Federal Energy Regulatory Commission.

On October 21, 1985, SEPA received a Protest, Request for Hearing and Motion to Intervene on behalf of ElectriCities of North Carolina, Inc. In SEPA's rate adjustment proceeding seeking approval of proposed rates for its Georgia-Alabama System of Projects (FERC Docket No. EF86-3011-000), ElectriCities protested the rates proposed as invalid, requested a hearing before the commission and for that purpose requested to intervene as a party in the proceeding. ElectriCities, to some extent, duplicated contentions and issues raised by it in a recent suit filed in the Western Division of North Carolina against SEPA and the Southern Companies Power Marketing Policy for the Western Division of the system.

That suit was dismissed by the court on October 31, 1985. ElectriCities variously argues that the proposed rates unfairly discriminate against the Eastern Division preference customers, is in favor of those in the Western Division, that the capacity charges proposed for Duke Power Company preference customers is excessive as compared to charges proposed for other customers, and that the proposed rates are discriminatory as granting certain customers diversity benefits and denied to others. Briefs in opposition have been filed by SEPA and various customer groups in the Georgia-Alabama area and SEPA await a ruling from the commission.

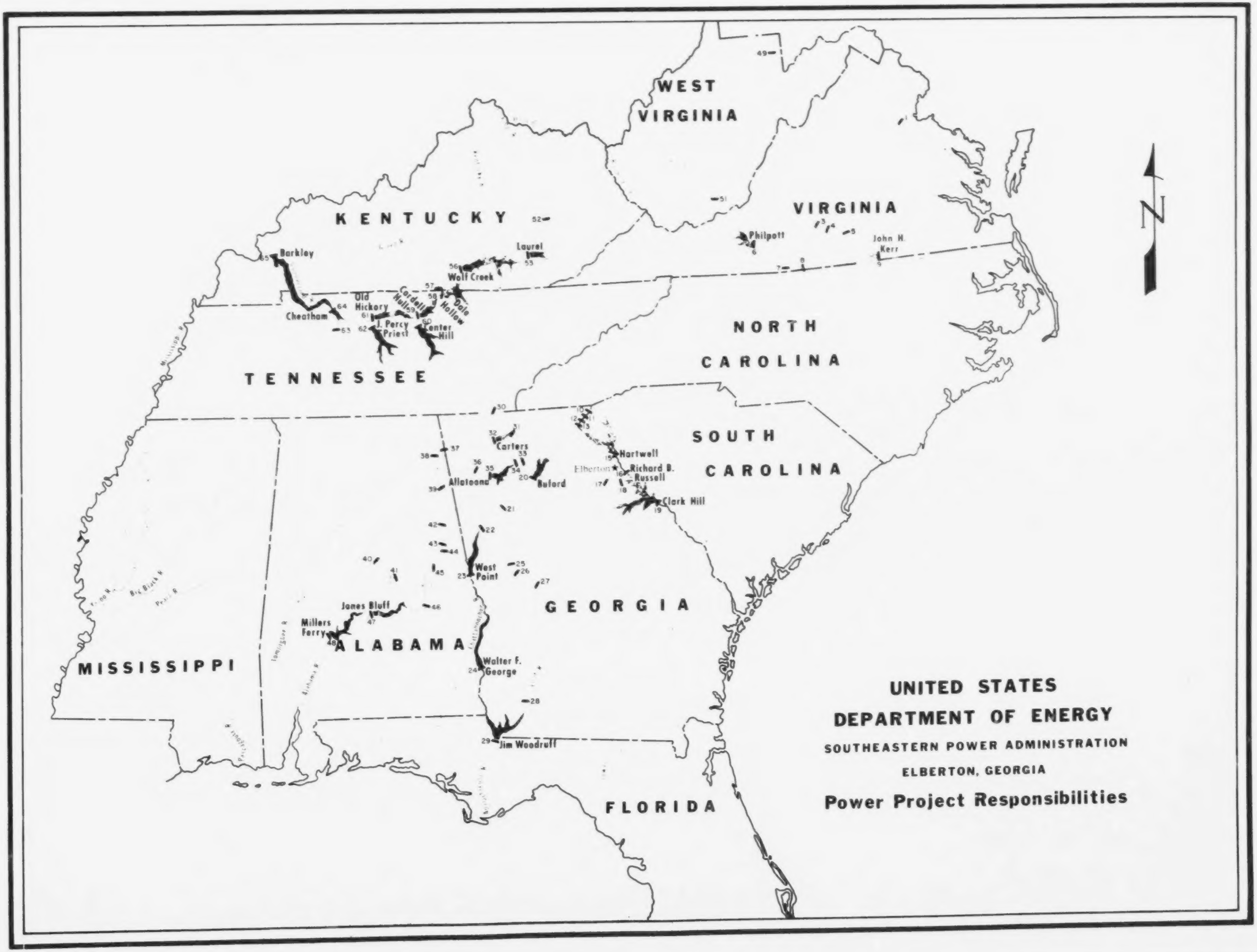
Power Marketing
Southeastern Power Administration - Continuing Fund
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1986 Estimated Budget Authority	FY 1987 Estimated Budget Authority
Continuing Fund		
Emergency Expenses	...	...
Total, Continuing Fund	...	...

Authorization: 16 U.S.C. 825s-2

Continuing Fund

The Southeastern Power Administration Continuing Fund of $50,000, a permanent, indefinite special fund, maintained from receipts for the transmission and sale of electric power in the Southeastern area, is available to defray emergency expenses necessary to insure continuity of service.


WEST VIRGINIA
VIRGINIA
KENTUCKY
TENNESSEE
NORTH CAROLINA
SOUTH CAROLINA
GEORGIA
ALABAMA
MISSISSIPPI
FLORIDA
N
49
51
1
3
4
5
Philpott
6
7
8
John H. Kerr
9
52
Laurel
53
56
Wolf Creek
57
58
Dale Hollow
Cordell Hull
59
60
Center Hill
Old Hickory
61
J. Percy Priest
62
63
64
Cheatham
65
Barkley
30
31
32
Carters
33
34
35
36
Allatoona
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Buford
37
38
39
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12
13
14
Hartwell
15
Elberton
Richard B. Russell
16
17
18
Clark Hill
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21
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West Point
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27
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41
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43
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45
46
Jones Bluff
47
Millers Ferry
48
Walter F. George
24
28
Jim Woodruff
29
Mississippi R.
Big Black R.
Pearl R.
Tombigbee R.
Alabama R.
Chattahoochee R.

UNITED STATES
DEPARTMENT OF ENERGY
SOUTHEASTERN POWER ADMINISTRATION
ELBERTON, GEORGIA
Power Project Responsibilities

Southwestern

DEPARTMENT OF ENERGY

Proposed Appropriation Language

Operation and Maintenance, Southwestern Power Administration

For necessary expenses of operation and maintenance of power transmission facilities and of marketing electric power and energy, and for construction and acquisition of transmission lines, substations and appurtenant facilities, and for administrative expenses connected therewith, in carrying out the provisions of section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s), as applied to the southwestern power area, [$29,500,000] $25,337,000, to remain available until expended. (Public Law 99-141, making appropriations for energy and water development, 1986.)

DEPARTMENT OF ENERGY
1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW

SOUTHWESTERN POWER ADMINISTRATION - OPERATION AND MAINTENANCE

The goal of the Southwestern Power Administration (SWPA) is to market the power and energy generated at U.S. Army Corps of Engineers' hydroelectric plants in the six-state area of Kansas, Oklahoma, Texas, Missouri, Arkansas, and Louisiana. The power is produced at 23 hydroelectric projects for delivery at cooperatives, municipalities, government installations, and private companies. SWPA provides transmission lines, substations, switching stations, and communication facilities for integration and optimal use of diversity between hydroelectric projects. Transmission and sale of power is available to geographically dispersed customers at rates which fully recover all costs of operation and repay the Government's investment with interest.

FY 1985 accomplishments include

- Progress has been made toward rearrangement of contracts with Oklahoma municipal customers which require purchase power appropriations. Estimated reduction in amounts appropriated for this purpose are expected to be reduced by approximately 40% by end of FY 85.
- Offered a program for SWPA energy conservation workshops to customers in FY 1985.
- Conducted survey to allow customers never before available options in the use of their hydropower, i.e.. a more flexible use of the energy component of their purchases, and a greater availability of this capacity component for other uses such as reserves. diversity of use, and short-term sales to others.
- FERC approval of extensions of both the SWPA Integrated System and Sam Rayburn Dam rates through September 30, 1986.
- Completion of annual power repayment studies for the Integrated System and Sam Rayburn Dam leading to filing and approval of a rate adjustment for SWPA's Integrated System rates effective October 1, 1985. through September 30, 1989.
- Development, filing and approval of a new special Rate Schedule TB for the Town Bluff Dam in Texas. a non-federally financed hydroelectric project.
- Development, filing and approval of a new Rate Schedule P4-B to implement special contractual arrangements which significantly reduce SWPA's purchase power budget obligations.
- Continuation of direct involvement in development of an interactive computer repayment analysis model.
- Implemented corrective action identified by a Southeast Missouri-Northeast Arkansas study to meet future agency and customer transmission requirements
- Continued implementation of a major communication system modification program.
- Completed construction of warehouse/office facilities at the Gore and Tupelo, Oklahoma sites.

- Provided power system improvements with emphasis on increasing system reliability and improving system flexibility for operation.

- Participated in system load flow and reliability studies with the Southwest Power Pool.

Specific objectives for FY 1986 to 1990, formulated in response to Public Laws are:

- Participate in joint transmission planning in Kansas involving WAPA. SWPA, and affected customers and utilities.

- Evaluate the benefits of enhanced tansmission capacity to serve regional needs, and pursue the development of viable opportunities for power and energy exchange without changing the net effect on annual budget appropriations.

- Participate in Oklahoma-Arkansas joint transmission planning to determine future agency and area utility requirements.

- Continue transmission system additions and modifications which are identified through current joint system planning studies of the eastern transmission system and throughout the Arkansas, Oklahoma area.

- Study potential for SWPA or an entity in behalf of its customers to set-up a scheduling agency which would provide a means for various utilities to manage their excesses and shortages in an energy clearinghouse and also for firming up peaking power marketed by SWPA.

- Adopt policy and develop strategies for marketing of power from non-Federally financed hydropower projects.

- Complete annual power repayment studies for the SWPA Integrated System, Sam Rayburn and Town Bluff Dams and file for rate adjustments as necessary to maintain and assure adequate repayment progress.

- Develop policy, criteria and procedures to evaluate the impacts of competing water uses on the existing and planned hydroelectric power facilities.

Accomplishment of these specific objectives will help meet the requirements of pertinent public laws, utilize natural resources, and provide an alternative energy source for meeting the nation's energy needs.

Although funds are included in the budget for operating the power marketing administrations in 1987, the Administration will actively seek to privatize these utility systems. Utilities are not normally a Federal responsibility, and non-Federal owners can operate the PMA's as efficiently, or more efficiently, than the Federal government.

The Administration will pursue privatization through an open process. It will be guided by the following principles: (1) seek a fair return to the Federal taxpayers from the privatization of these assets, (2) recognize the benefits currently enjoyed by existing customers, and (3) recognize and provide appropriate protections for the personnel benefits of Federal employees.

Before implementation of privatization, the Administration will seek the views of, and promote interest among, concerned groups and individuals, including Congressional delegations, State and local officials, current customers, the financial community, and public power and private sector energy interests.

It is expected that the Power Administration will be sold with all the PMA's being transferred from Federal control by FY 1991. In the interim, the FY

1987 budget proposes to modify PMA capital investment repayment practices legislatively, consistent with sound business principles, to protect the interests of the Nation's taxpayers. These modifications require repayment of the unpaid balance of the original federal investment at a level not less than would be required under a fixed, straight-line amortization schedule for each power investment financed by appropriations and placed in service. This requirement would not apply to irrigation investments. Repayments of principal, if necessary, can be deferred, subject to the same terms and conditions applicable to deferred interest payments (e.g., current interest rates are used because the deferral helps finance current operations). The impact of this repayment proposal is relatively modest compared to those proposed made last year in the 1986 budget.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
POWER MARKETING

SOUTHWESTERN POWER ADMINISTRATION - OPERATION AND MAINTENANCE
SOUTHWESTERN POWER ADMINISTRATION - PLANT AND CAPITAL EQUIPMENT

(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1985 Approp.	FY 1986 Adj. Approp.	FY 1987 Base	FY 1987 Request	Request vs. Base
Power Marketing:					
Operating expenses	$12,168	$10,874	$11,155	$11,802	$ 647
Purchase power and wheeling	22,400	21,624	21,800	20,959	-841
Construction	3,700	5,456	5,500	5,819	319
Total, power marketing	$38,268	$37,954	$38,455	$38,580	$ 125
Management initiatives	-60	...	...	...	...
Use of prior year balances	-7,000	-8,774	13,243	13,243	...
Total	$31,208	$29,180	$25,212	$25,337	$ 125
Staffing/Total FTE's	186	186	186	186	-

Authorization: Section 5, Flood Control Act of 1944 (16 U.S.C. 825s)

Department of Energy

FY 1987 Congressional Budget Request

Adjustments to FY 1986 Appropriations

	FY 1986 Conference	FTE General Reduction	Gramm-Rudman-Hollings Reduction	Subtotal	Comparability Adjustments	Adj. Approp. Total
Southwestern Power Administration						
Operation and Maintenance	$10,974	$ -11	$ -89	$10,874	$ ---	$10,874
Purchase power and wheeling	21,800	---	-176	21,624	-8,774	12,850
Construction	5,500	---	-44	5,456	---	5,456
Subtotal, Southwestern Power Administration	$38,274	$ -11	$ -309	$37,954	$-8,774	$29,180
FTE Reduction	-11	+11	---	---	---	---
Use of Prior Year Balances (SWPA)	-8,774	---	---	-8,774	$+8,774	---
Total, Southwestern Power Administration	$29,489	$ ---	$ -309	$29,180	$ ---	$29,180

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF CHANGES
POWER MARKETING
(In Thousands of Dollars)

1986 Adjusted Budget Appropriation		$37,954
Built-in increases:		
- Administrative expenses	+	309
- Pay costs and benefits	+	192
- 1987 base		$38,455
Program increases and decreases:		
Operation and Maintenance		
- Transfer of prorated FTE from construction	+	170
- Space rental	+	51
- Service contracts	+	708
- Overtime	-	188
- Various expenses	-	94
Purchase Power and Wheeling		
- Reduction of funding to an average water year	-	841
Construction		
- Increased activity in construction projects	+	319
1987 budget request		$38,580

NARRATIVE JUSTIFICATION

The Southwestern Power Administration (SWPA) operates as a marketing agent to dispose of hydroelectric power and energy produced at Corps of Engineers' dams in a six-state area. The goal of the SWPA program is to provide for the transmission and disposition of power from 23 hydroelectric projects for delivery at the lowest possible rates, consistent with sound business principles, to cooperatives, municipalities, Government installations, and private companies. SWPA provides transmission lines, substations, switching stations, and communication facilities for integration and optional use of diversity between hydroelectric projects and the transmission and sale of power to geographically dispersed customers.

SWPA is responsible for achieving program objectives as follows:

- Improve efficiency of operations, increase system reliability and enhance productivity.
- Market power on a basis which maintains an acceptable level of repayment.
- Emphasize the development of Federal hydroelectric projects that are economically and environmentally feasible.

The total FY 1987 Departmental request for Southwestern Power Administration is $38.6 million, a $.6 million increase over the amount budgeted in FY 1986. This total increase consists of the increases and decreases shown in the following activities.

Operation and Maintenance Activity. . . . . $ 11,802,000
The Departmental request is $11.8 million, a $.9 million increase over the budgeted amount in FY 1986. This increase consists of the following:

Transfer of prorated FTE from construction	$ 170,000
GS Pay raise and associated costs	164,000
Rent	51,000
Service contracts	708,000
Overtime	-188,000
Various expenses	- 5,000

This activity provides for the day-to-day funding of 186 FTE employees and their work activities within the following functions:

1. The Division of Power Marketing includes all power contracting relationships with customers, development of rates for repayment purposes, allocation of power resources in the marketing area, the operation of the SWPA transmission system, the integration of 23 hydroelectric projects with other regional power, and the scheduling and dispatching SWPA's resources to meet load requirements. Activities for achieving program goals are as follows:

    - Maximizing revenues by having all saleable power under contract.
    - Increase customer contacts to resolve contract matters in a timely manner.
    - Continue development of new contractual relationships that may reduce the need for purchase power and wheeling charges.
    - Continue repayment studies to determine if rates are adequate for repayment of investment.
    - Review proposals concerning Corps of Engineers multipurpose projects for possible inclusion of power generation.

2. The Division of Power Facilities consists of five Branches: Transmission Lines, Substation, Electronics, Planning and Special Studies, and Engineering Administrative Support, of which the first three have specific responsibilities for all engineering and maintenance activities of the areas implied by their names.

Maintenance functions are performed on 1,390 miles of high voltage transmission lines, 26 sub and switching stations, 46 radio and microwave stations, and maintenance on supervisory control and communication equipment for control of the entire SWPA system and integrated projects.

The maintenance is steadily increasing to accommodate the complexity of the electrical system, the increased maintenance requirements associated with an aging system, and to allow energy load carrying growth requirements to accommodate system interconnections with customers and area utilities. This activity, in addition, performs preventive and remedial maintenance on the components of the power system with efforts largely concentrated on replacement of deteriorated transmission poles and crossarms, uprating and replacement of undersized equipment, and servicing transformers, oil circuit breakers, and protective metering on communication systems.

Brush control efforts are performed by each area's maintenance workforce in addition to transmission line, substation and control system maintenance. Each area maintains a brush control program of SWPA's transmission rights-of-way, in order to preclude system power outages due to trees reaching energized lines, with each line being recleared on a three-year cycle. A portion of the right-of-way clearing and the structure/pole inspection is contracted to private industry. The maintenance of the transmission line rights-of-way also includes fence gates, access roads, and the protection and preservation of the environment in accordance with the National Environmental Policy Act (P.L. 91-190).

The program goal in line and substation maintenance is to provide required activities which insure continuous, reliable, economic, safe and efficient delivery of power to customers. This goal is accomplished by the application of the latest technological standards in the performance of preventive maintenance on the transmission system. Specific activities include:

- Monthly inspections of all radio/microwave and substation/switching stations to insure proper operation and correct minor defects of various equipment.
- Internal inspections of circuit breakers and transformers based on results of dielectric and combustible gas tests.
- Constant program of relay and metering testing based on power sales contracts and severity of interruptions.
- The continued programs of safety, switching certifications, and vehicle inspections.
- Meter and relay replacements or additions based on contract changes, obsolescence, load shifts and interconnecting criteria.
- A program of circuit breaker and switch replacement to prevent overloading or inadequate interruption capability based on load flow and fault studies.
- A program of air conditioning replacement for equipment 10 years or older where parts are obsolete or energy conservation can be improved.

The Southwestern communications system includes voice, telemetering, and the computer based Automatic Generation Control and Supervisory Control and Data Acquisition (AGC/SCDA) system. These facilities operate on power line carrier, VHF and UHF radio, leased telephone circuits, and space on equipment owned by others.

Planning and Special Studies provides power system analysis reviews to assure a transmission system adequately rated to provide dependable and reliable delivery of power to SWPA's customers. Tasks to accomplish agency goals are as follows:

- Participate in load flow studies with the Southwestern Power Pool.
- Perform short circuit, stability and load flow studies.
- Provide a comprehensive review of existing system conditions to FY 1991 to enable Planning, Programming and Budget System achievement.

Engineering Administrative Support provides administrative personnel, clerical, and logistical support for the Division of Power Facilities. To accomplish program goals the following tasks have been established:

- A continuous review of warehouse stock items for possible reduction of stock and the related dollar value of warehouse inventories.
- A program to increase turnover ratio output to a minimum of 1:1 annually.
- An ongoing program to continually upgrade and improve support in all areas through continued employee training courses.

3. Division of Administrative Management includes SWPA's fiscal responsibilities, which are segregated into the areas of Procurement and Property Management, Financial Management, Data Processing and Administrative Services. Tasks to support program goals are as follows:

   - Vulnerability assessments and internal control reviews are performed to prevent waste and abuse in the operating systems.
   - Modernization of data processing systems.
   - Review SWPA accounting manual to conform with DOE directives.
   - Review management files for conformance with DOE and National Archives policies.

4. Office of the Administrator includes the Chief Counsel, Public Affairs, and Human Resources Office, which includes Personnel, EEO, Safety and Occupational Health activity.

Purchase Power and Wheeling Activity.........................$ 20,959,000
The Departmental request is $21.0 million a $.6 million decrease under the budgeted amount in FY 1986. This decreased amount will provide for the purchase of power and energy for an entire year of average water operation.

This activity provides for the funding of estimated amounts of energy purchases necessary to meet Government's commitments to utility customers sales contracts. In this regard, the hydro energy marketed by Southwestern must be supplemented by energy purchases to enable Southwestern to fulfill it's contractural obligations, particularly, under adverse, low water conditions. Further, Southwestern has other contractural arrangements to deliver power and energy to customers not directly connected to its transmission system and to pay resulting transmission wheeling expenses. None of Southwestern's energy purchases are discretionary; however, water conditions affect whether additional hydro energy can be generated to meet the obligation or energy purchases required.

Southwestern's projection of its needs for FY 1987 Purchase Power and Wheeling Budget Authority is based on meeting its customers' contractual requirements under average year water conditions. Estimates of Purchased Energy needs for budgetary purposes are based on a variety of continually changing elements. Among these elements are: (1) unit prices for direct purchased energy (generally based on fuel costs); (2) availability of banking arrangements to mitigate these costs; (3) quantities of energy needed to fulfill customer needs (both direct and borderline); and (4) unit prices and transmission rates for borderline purchases which are affected by both fuel costs and rate increases proposed by companies providing supplemental energy.

Purchase Power and Wheeling - FY 1987
(thousands of dollars)

	Water Conditions	
	Average	Critical
A. System Support Requirements		
Arkansas Electric Cooperative	1,110	2,775
Associated Electric Cooperative	534	1,335
Oklahoma Companies	1,960	4,899
Springfield, Missouri, City Utilities	639	1,598
Western Area Power Administration	1,011	2,529
Western Farmers Electric Cooperative	962	2,406
Other Companies (4) and Municipals (4)	808	2,019
Subtotal	7,024	17,561
B. Other Contractual Requirements		
Oklahoma Municipal Power Authority - Wheeling	1,072	1,072
Oklahoma Companies - Wheeling	1,820	1,820
- Energy	10,058	10,058
Associated Electric Cooperative	964	964
Western Area Power Administration	21	21
Subtotal	13,935	13,935
Total Purchase Power and Wheeling Activity	20,959	31,496

Southwestern continues to convert expiring contracts from high energy commitments to lower energy commitments, thus reducing the Purchase Power and Wheeling budget levels while at the same time reducing revenues to be received by the Government. In FY 1987 the effect of this conversion is a reduction of about $7 million in average year budget requirements. In subsequent years, increasing unit fuel costs more than offset the reductions resulting from the lower energy commitments However the projected annual needs for funds in FY 1991 is approximately $10 million less than could be expected without this action. Southwestern has also pursued conversion of certain other contractual arrangements which require Southwestern to purchase energy from the Oklahoma Companies to meet customer loads, and receive reimbursement of such costs from the customers. While such an arrangement produces no net costs for the Government, Southwestern must request appropriated funds. A concerted effort is being made to provide for direct payment by the customers to the Oklahoma Companies to reduce budgeted fund In FY 1987 this conversion will result in a decrease of about $8 million and by FY 1991 a savings of about $11 million is expected. The total reductions from these two actions is $15 million in 1987 and over $ 20 million by FY 1991. Southwestern will continue efforts to derive new ways of reducing budget requirements and to reduce exposure to supplemental appropriation requests.

	Fiscal Years							
	1984	1985	1986	1987	1988	1989	1990	1991
Contracts:								
a. Direct High Load Factor (No.)	14	13	6	5	2	0	0	0
b. Borderline High Load Factor (No.)	22	21	9	9	9	9	9	9
c. Low Load Factor (No.)	66	66	85	81	84	86	86	86
Purchases (Average Year):								
System Support:								
d. With Conversion* - GWH	330	311	250	194	181	178	178	178
e. - $ Millions	11.0	9.7	8.4	7.0	7.1	7.4	8.0	8.5
f. Without Conversion* - GWH	384	384	384	384	384	384	384	384
g. - $ Millions	12.8	11.9	12.9	13.9	15.0	16.1	17.2	18.4
h. Reduction - $ Millions (item g - item e)	1.8	2.2	4.5	6.9	7.9	8.7	9.2	9.9
Other Contracts:								
i. With Conversion** - $ Millions	17.4	16.2	12.8	13.9	14.9	15.7	16.6	17.7
j. Without Conversion** - $ Millions	17.4	18.1	20.0	22.0	23.5	24.9	26.5	28.3
k. Reduction - $ Millions (item j - item i)	0	1.9	7.2	8.1	8.6	9.2	9.9	10.6
l. Total Reduction - $ Millions (item h + item k)	1.8	4.1	11.7	15.0	16.5	17.9	19.1	20.5

* Conversion of high load factor contracts (over 1200 hours) to low load factor contracts (1200 hours per year).

** Conversion of borderline contractual arrangements to provide for direct payment by customers to the suppliers under these arrangements.

Construction Activity..$ 5,819,000

The Departmental request is $5.8 million a $.4 million increase over the amount budgeted in FY 1986. This increase is reflected in the following activity breakdown.

This activity provides for the construction and or modification of new or existing transmission, substation, and switching facilities to transmit power generated at Corps of Engineers' hydroelectric projects in the Southwest.

Major portions of the Southwestern Power Administration (SWPA) transmission system have been in operation for most of four decades. While the system was adequate for many years, continued load growth is forcing equipment to be stressed beyond design limits. Operating as a member of the Southwest Power Pool (SPP), SWPA must continually be alert to the adequacy of its system in mutual support of consumers in the region as well as support to other regions of the nation in times of emergency. This budget activity is designed to continue the fulfillment of this obligation.

CONSTRUCTION PROJECTS JUSTIFICATION
FY 1987

Communications and Control Improvements $ 504,500 - These modifications provide for the construction of minor changes in the SWPA communications system. This includes known equipment change out made necessary by increased loadings and system deterioration as well as unforseen requirements as necessitated by operating as a member of an interconnected power pool.

The SWPA communication facilities transverse large portions of three states. These facilities are composed of power line carrier, VHF and UHF radio, leased telephone circuits and space on equipment owned by others, all of varying age and condition. The continued integration of SWPA's transmission lines with other utilities, in addition to the operating and control data required by dispatchers, mandate an extensive and reliable communication system. These funds will provide for the systematic improvement to the communications system.

Requested funds will also provide for modifications and additions to the metering, telemetering, and load frequency control facilities. Changes in contractual arrangements by customers and other interconnected utilities can be expected. These changes frequently require circuit revisions and equipment additions.

Specific cost estimates assigned to the above work are as follows:

- Miscellaneous metering and telemetering changes in communication requirements to accommodate power sales contracts. Ten changes at $ 5,000/change. ($ 50,000)

- AGC/SCADA System modifications will include the addition of a RTU at $ 100,000, the expansion of existing RTU's, and the reprogramming of the master computer to accommodate continuing system changes - $69,500. ($169,500)

- Telephone and telemetering expansion and interfere changes to existing communication systems. ($ 80,000)

- Service contracts will include engineering support services - $130,000; equipment maintenance-AGC - $75,000. ($ 205,000)

System Metering, Relaying, Equipment and Materials $ 1,426,000 - These items enable replacement of equipment which is underrated, worn out, deteriorated, or damaged. This equipment includes insulators, and protective equipment with insufficient load carrying ability, and diagnostic tests.

The substation equipment purchases are required to enable preventive and remedial construction of the high-voltage power system which insures uninterruptable, safe, and reliable delivery of electric energy to SWPA's customers.

Requested funds will also provide for modifications and additions to the protective relaying facilities $ 72,000, and metering facilities $ 40,000. Changes in contractual arrangements by customers and other interconnected utilities can be expected. These changes frequently require circuit revisions and equipment additions $ 100,000. ($212,000)

Continued growth plus additional interconnections has resulted in the busses, oil circuit breakers, and switches reaching their maximum capacities at some substations. Serious damage to other equipment installed 30-35 years ago is occurring and replacements are required. These funds will provide circuit breakers for installation at the substations $ 350,000. Potential transformers will also be added at the Paragould, Kennett, and New Madrid Substations for improved reliability $ 150,000. ($ 500,000)

Funds are to provide for engineering services in conjunction with substation modifications as previously outlined. Projects would include the design of new transmission taps and substations, land surveys, environmental assessments, design of relay control circuits and similar modifications to the electrical system ($ 200,000).

Renovation of Maintenance crew and storage buildings built in the early 1950's will allow extension of service life ($ 100,000).

Support materials and parts, transportation, per diem, and personnel compensation to allow accomplishment of the above work is estimated at ($ 414,000.)

Transmission Line Improvement - 391 $ 268,000 - This requirement provides for the replacement of 30 to 40 year old existing deteriorated, or damaged transmission line equipment; minor modifications to the transmission system necessitated by increased loading and interconnected power pool operations; and modifications of the transmission facilities for the convenience of others such as highways, cities, or developers. In most instances, modification for the convenience of others are on a reimbursable basis but require an actual expenditure of appropriated funds.

Specific cost estimates assigned to this work are as follows:

- Transmission system modifications due to interconnection or operational requirements changes. ($ 150,000)

- Support services contracts, engineering design support, and construction inspection. ($ 118,000)

General Plant and Capital Equipment Not Related to Construction $ 1,748,400 - This requirement is comprised of parts, test equipment, and vehicles required in providing maintenance of SWPA's power system. These items enable replacement of similar equipment which is underrated, worn out, deteriorated, or damaged. This equipment includes transmission line wood poles, hardware, crossarms, and insulators, trucks, and specialized maintenance vehicles, protective equipment with insufficient load carrying ability, diagnostic test, and electronic equipment. This equipment is located at the warehouse locations in Arkansas, Missouri, and Oklahoma.

The line, substation, and electronics equipment purchases are required to enable preventive and remedial maintenance of the high-voltage power system which insures uninterruptable, safe, and reliable delivery of electric energy to SWPA's customers ($ 366,500).

Vehicles, tractors, trailers, and equipment necessary in the performance of system operation and maintenance functions which are scheduled for replacement are in accordance with DOE and GSA usage and replacement guidelines. Vehicles and equipment replacement occurs on a cyclic basis ($ 682,900).

Test equipment scheduled for replacement includes specialized or unique equipment to perform diagnostic test on new technology electronic equipment as well as replacing worn out test equipment primarily for substation and communications work ($ 249,000).

Dynamic mapboard for Springfield, Missouri Operations Center will provide a complete view of the entire power system status. All dispatch center personnel can observe the state of the power system configuration simultaneously in times of crises ($ 450,000).

One Time Construction Projects $1,872,000 - Station Additions - This requirement provides for additions to substations and switching stations to accommodate power system growth of Southwestern as well as interconnected utilities. Increasing customer loads and system usage require equipment changes and additions to insure sufficient reliability and protection of the power system. Specific projects are:

Clarksville Substation - This addition includes facilities to enable direct power service to the City of Clarksville, Arkansas. Existing conditions of service are becoming inadequate due to load growth in Clarksville area. Switching of the Clarksville load to our system alleviates this problem, postpones an OG&E investment necessary to support the area power system, and costs would be fully recovered by interconnection is $ 1,600,000. Of this estimate $ 950,000 would be Clarksville's share and reimbursed to the U.S. Treasury. ($ 1,600,000)

Ash Flat Capacitors - This addition is required to maintain acceptable voltage levels on the Norfork to Water Valley transmission line. The project was identified as a least cost alternative in the Southeast Missouri Northeast Transmission Study conducted with area utilities and cities in FY 1984. Estimated cost for this project is ($ 272,000).

DEPARTMENT OF ENERGY
1987 CONGRESSIONAL BUDGET REQUEST

PENDING LITIGATION

SOUTHWESTERN POWER ADMINISTRATION

The City of Fulton, Lamar and Thayer, Missouri v. United States of America, No. 84-1725

The Cities listed in the style of the case are all customers of SWPA. In an action filed with the Court of Claims (now the Claims Court) on September 18, 1980, the Cities challenged the authority of the Secretary of Energy to place rates for hydroelectric power into effect on an interim basis. The Cities have paid the rates under protest pending the outcome of their action. They asked the Court to order the United States to refund the rates collected under the interim rate order. On May 19, 1982, the Court entered judgment for the Cities on the issue of liability. Subsequently the Cities and the United States stipulated to damages in the following amounts:

City of Lamar	$627,128.55
City of Thayer	$ 95,442.22
City of Fulton	$232,245.44

The United States appealed the May 19, 1982, Order to the Court of Appeals for the Federal Circuit in Washington, D.C. The Court of Appeals affirmed the Court of Claims Order. The United States petitioned the United States Supreme Court for Writ of Certiorari. The Court granted the petition on July 1, 1985. A hearing has not yet been docketed.

Cherokee Nation of Oklahoma v. United States, C. A. No. 83-306-C

In accordance with the provisions of a private bill, the Plaintiff filed suit against the United States on May 23, 1983. Plaintiffs claim ownership of the bed of the navigable portion of the Arkansas River within the State of Oklahoma. The United States received an unfavorable decision on June 6, 1984. This case is presently on appeal to the Tenth Circuit, Court of Appeals, in Denver, Colorado. In its action the Plaintiff does not claim an amount certain. However, the Corps of Engineers has built three locks and dams on the disputed portion of the Arkansas River. Two of these three projects contain power generating facilities. Damages recovered by the Plaintiff could be $177 million. It cannot be said with any assurance what the outcome of this action will be.

Brazos Electric Power Cooperative, Inc. v. United States of America, C.A. No. W-84-CA-101

On May 30, 1984, the Plaintiff power cooperative (Brazos) filed its Complaint against the SWPA. In this action Brazos asked the U.S. District Court for the Western District of Texas, Waco Division, to declare unlawful SWPA's Final Power Allocation. The Plaintiff, a power customer of SWPA, also requested the Court to declare null and void contract between SWPA and two other customers, Tex-La of Texas Electric Cooperative, Inc. (Tex-La of Texas) and Rayburn Country Electric Cooperative, Inc. (Rayburn Country). Brazos also asked the Court to declare null and void any and all contracts between SWPA and Texas Utilities Electric Company. This action was prompted by the Final Power Allocation mentioned above. Tex-La of Texas and Rayburn Country received as their allocation the output of Denison Dam. Although it did not participate in the Final Power Allocation process, Brazos believed it should share in the output of the Denison Dam project. The Plaintiff did not claim a sum certain in its Complaint. A hearing on Joint Motions For Summary Judgment was conducted on August 13, 1985. On December 27, 1985, the Court ruled in favor of the United States by granting the Defendants' Motion for Summary Judgment.

Leamons and Hazard v. United States of America, C. A. No. LR-C-84-696.

On August 2, 1984, Clyde Leamons and Michael Hazard, the Plaintiffs, filed a Complaint in the U.S. District Court for the Eastern District of Arkansas, Western Division in Little Rock, Arkansas. In this action the Plaintiffs seek $1,000,000 each, an aggregate sum of $2,000,000, for bodily injuries the Plaintiffs claim they sustained while working beneath a high-voltage transmission line owned, operated, and maintained by SWPA. An Answer to the Complaint was filed in a timely fashion and some Discovery has been made. The matter, however, has not yet been docketed for trial. It is too early to say with any assurance what the result of this action will be.

Henry Baugh, et al. v. United States of America, C. A. No. 392-85C

On July 1, 1985, the wage-grade employees of the Southwestern Power Administration filed this action in the United States Claims Court. In their Complaint the Plaintiffs challenge the applicability to Public Law 97-35, which imposed a pay cap on the salaries of Federal employees. Plaintiffs allege that the provisions of said public law should not be applied to their wages. The United States filed its Answer on September 30, 1985. A hearing has not yet been docketed.

DEPARTMENT OF ENERGY
1987 CONGRESSIONAL BUDGET REQUEST

POWER MARKETED, WHEELED OR EXCHANGED BY SYSTEM

SOUTHWESTERN POWER ADMINISTRATION

System	State	No. of Plants	Installed Capacity (KW)	1985 Actual Pwr (GWH)	1986 Estimated Pwr (GWH)	1987 Estimated Pwr (GWH)
Power Marketed (Interconnected System)	Missouri	4	463,200	3,719	2,038	1,921
	Arkansas	9	1,021,050	1,281	899	670
	Oklahoma	7	514,100	1,143	1,338	1,444
	Texas	2	100,000	551	490	516
	Louisiana	---	-	434	340	407
	Kansas	---	-	344	256	336
Subtotals		22	2,098,350	7,472	5,361	5,294
Isolated						
Sam Rayburn Project	Texas	1	52,000	49	57	57
50% to TX; 50% to LA	Louisiana	---	---	49	57	57
Subtotals		1	52,000	98	114	114
Total, Power Marketed		23	2,150,350	1/ 7,570	5,475	5,408
Power Exchanged				135	125	97
Power Wheeled (Megawatts)				455	469	485

1/ Includes additional capacity of 80,000 kW from Harry S. Truman assumed to be available in FY 1987.

DEPARTMENT OF ENERGY
1987 CONGRESSIONAL BUDGET REQUEST
SYSTEM STATISTICS

SOUTHWESTERN POWER ADMINISTRATION
(In thousands of dollars)

	1985 Actual	1986 Estimate	1987 Estimate
Generating Capacity:			
Installed Capacity (KW)	2,043,700	2,043,700	2,150,400
Peak Capacity (KW)	2,071,000	2,053,700	2,133,700
Generating Stations:			
Generating Projects (No.)	23	23	23
Substations/Switchyards (No.)	26	26	26
Substations/Switchyards (KVA Capacity)	928,800	968,800	968,800
Available Energy:			
Energy Generated (Megawatt-Hours)	8,613,800	5,029,700	5,029,700
Energy Purchased (Megawatt-Hours)	249,700	637,300	580,500
Energy Available For Marketing (Megawatt-Hours)	7,570,000	5,474,900	5,407,900
Transmission Lines (Circuit Miles):			
161 KV	1,127	1,127	1,127
138 KV	164	164	164
69 KV	99	99	99
Total Circuit Miles	1,390	1,390	1,390
Revenues:			
Adjusted Gross Power Revenues a/	110,900 (E)	95,400	105,800
Prior year Adjustment	-	-	-
Total Power Revenue	110,900	95,400	105,800
Federal Investment Allocated to Commercial Power:			
Generation Equipment	772,100(E)	858,400	858,400
Transmission Facilities	68,200	72,900	73,300
Total Investment	840,300(E)	931,300	931,700

a/ Includes power sales, wheeling and other revenues.

(E) ESTIMATE - Actual year data not available

Western

DEPARTMENT OF ENERGY
FISCAL YEAR 1987 CONGRESSIONAL BUDGET REQUEST
POWER MARKETING ADMINISTRATIONS
WESTERN AREA POWER ADMINISTRATION
VOLUME 5

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DEPARTMENT OF ENERGY

Proposed Appropriation Language

Construction, Rehabilitation, Operation and Maintenance, Western Area Power Administration

(Including Transfer of Funds)

For carrying out the functions authorized by title III, section 302(a)(1)(E) of the Act of August 4, 1977 (Public Law 95-91), an other related activities including conservation and renewable resources programs as authorized, including official reception and representation expenses in an amount not to exceed $1,500, the purchase of passenger motor vehicles (not to exceed [18] 4 for replacement only), [$196,610,000] $236,846,000, to remain available until expended, of which [$189,619,000] $214,835,000, shall be derived from the Department of the Interior Reclamation fund: Provided, That the Secretary of the Treasury is authorized to transfer from the Colorado River Dam Fund to the Western Area Power Administration [$890,000] $3,463,000, to carry out the power marketing and transmission activities of the Boulder Canyon project as provided in section 104(a)(4) of the Hoover Power Plant Act of 1984.

[Notwithstanding provisions of title 5, United States Code, except for section 5308, no funds approved for Western Area Power Adminsitration shall be used to pay the rates of basic pay and premium pay for power system dispatchers unless such rates are based on those prevailing for similar occupations in the electric power industry.] (Public Law 99-411, making appropriations for energy and water development, 1986.)

DEPARTMENT OF ENERGY
1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF ESTIMATES BY APPROPRIATION BY MAJOR ACTIVITY
WESTERN AREA POWER ADMINISTRATION
CONSTRUCTION, REHABILITATION, OPERATION AND MAINTENANCE

(In thousands of dollars)

	FY 1985 Actual		FY 1986 Estimate		FY 1987 Request	
	BA	BO	BA	BO	BA	BO
Construction, Rehabilitation, Operation and Maintenance	$218,230	$189,957	$195,842	$268,938	$240,309	$281,709
Current Authority	---	---	(194,952)	(268,048)	(236,846)	(278,246)
Permanent Authority	---	---	(890)	(890)	(3,463)	(3,463)
Total	$218,230	$189,957	$195,042	$268,938	$240,309	$281,709

DEPARTMENT OF ENERGY
1987 CONGRESSIONAL BUDGET REQUEST
AMOUNTS AVAILABLE FOR OBLIGATION
WESTERN AREA POWER ADMINISTRATION
CONSTRUCTION, REHABILITATION, OPERATION AND MAINTENANCE
(In thousands of dollars)

	FY 1986	FY 1987
Appropriation	$195,842	$240,309
(Current Budget Authority)	(194,952)	(236,846)
(Permanent Budget Authority)	(890)	(3,463)
Receipts and Reimbursements:		
Unobligated Balances, Start of Year	67,660	43,538
Unobligated Balances, End of Year	-43,538	0
Offsetting Collections from Federal Funds	20,000	9,000
Total, Obligations	$239,964	$292,847

DEPARTMENT OF ENERGY
1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW
WESTERN AREA POWER ADMINISTRATION
CONSTRUCTION, REHABILITATION, OPERATION AND MAINTENANCE

The Western Area Power Administration (Western) was created by Section 302 of the Department of Energy Organization Act of 1977 (Public Law 95-91). Paragraphs (1)(E) and (1)(F) of Section 302 transfer to the Secretary of Energy the power marketing functions of the Bureau of Reclamation (BuRec), including the construction, operation and maintenance of transmission lines and attendant facilities; and the transmission and disposition of electric power and energy generated at Falcon Dam and Amistad Dam, international storage projects on the Rio Grande River.

Western's statutory authority regarding marketing and transmission systems has its origin in the body of law developed over the last century and commonly known as Federal Reclamation Law which is based on the Reclamation Act of 1902, as amended and supplemented. This Act forms the basis for most of Western's activities. However, subsequent Acts, particularly the Reclamation Project Act of 1939 and the Flood Control Act of 1944, have set forth the conditions under which Federal power can be marketed.

In the marketing of power, one of the most important conditions or limits has been the preference concept. The preference clause which has current application is found in Section 9 of the Reclamation Project Act of 1939 and states:

> ". . . in said sales or leases preference shall be given to municipalities and other public corporations or agencies; and also to cooperatives and other nonprofit organizations financed in whole or in part by loans made pursuant to the Rural Electrification Act of 1936 and any amendments thereof."

In accordance with Section 9 of the Reclamation Project Act of 1939, power sales are made at rates which will produce revenues that are sufficient to cover appropriate shares of the annual operation and maintenance cost, interest on the construction investment, and various other fixed charges. Thus, virtually all expenditures that Western incurs are recovered and returned as receipts to the U.S. Treasury. Departmental policies and specific project authorization acts provide for repayment periods and interest rates.

As an administration within the Department of Energy, Western is subject to all laws applicable to Federal agencies. Those that are especially noteworthy with respect to the marketing and transmission of Federal power are the Administrative Procedures Act and the National Environmental Policy Act.

Alternatives to Federal operation and management of the present power systems are limited by the complex relationships of the power marketing program to the diverse objectives of the Federal water resources management programs. Power will continue to be generated and transmitted from Federal dams in accordance with legislated multipurpose project objectives which, along with power generation include flood control, irrigation, international and Indian treaty commitments, recreation, safety and environmental objectives.

Although funds are included in the budget for operating the Power Marketing Administrations (PMA) in 1987, the Administration will actively seek to privatize these utility systems. Utilities are not normally a Federal responsibility, and non-Federal owners can operate the PMA's as efficiently, or more efficiently, than the Federal Government.

The Administration will pursue privatization through an open process. It will be guided by the following principles: (1) seek a fair return to the Federal taxpayers from the privatization of these assets, (2) recognize the benefits currently enjoyed by existing customers, and (3) recognize and provide appropriate protections for the personnel benefits of Federal employees.

Before implementation of privatization, the Administration will seek the views of, and promote interest among, concerned groups and individuals, including Congressional delegations, State and local official, current customers, the financial community, and public power and private sector energy interests.

It is expected that the PMA's will be sold, with all the PMA's being transferred from Federal control by FY 1991. In the interim, the FY 1987 budget proposes to modify PMA capital investment repayment practices legislatively, consistent with sound business principles, to protect the interests of the Nation's taxpayers. These modifications require repayment of the unpaid balance of the original deferral investment at a level not less than would be required under a fixed, straight-line amortization schedule for each power investment financed by appropriations and placed in service. This requirement would not apply to irrigation investments. Repayments of principal, if necessary, can be deferred, subject to the same terms and conditions applicable to deferred interest payments (e.g., current interest rates are used because the deferral helps finance current operation). The impact of this repayment proposal is relatively modest compared to the proposal made last year in the FY 1986 budget.

Program Goal, Long-Range Objectives, and Accomplishments

Western's program goal is to implement national energy policy by providing reliable electrical service while optimizing energy conservation and the use and development of renewable resources. Specifically, Western:

Assures that economical, reliable, and efficient hydropower is available from Federal powerplants to over 550 customers in a geographic area encompassing 1.3 million square miles in 15 Central and Western States. (Although Western sells power wholesale, it is estimated that the approximately 50 billion kilowatthours (kWh) marketed in FY 1985 would serve 7,952,000 residences, or 21,867,000 people for 1 year);

Markets power, as required by existing law, at the lowest possible rates consistent with sound business principles to recover the costs of operation and the cost of capital, with interest invested in power facilities, as well as capital invested in certain nonpower facilities;

Repays reimbursable capital investment within a reasonable period, usually 50 years;

Gives preference in the sale of power to public bodies and cooperatives; and

Constructs, operates, and maintains power transmission facilities to achieve a high degree of power system reliability.

Western's primary long-range objective is to maintain a workable and progressive power marketing program that will continue to provide efficient and reliable electrical power to customers. Major activities include the development of power marketing plans and the development and adjustment of power rates. Western must further maintain an adequate and reliable transmission system in order to deliver Federal power to customer delivery points, transfer energy from renewable resources, and displace nonrenewable resources, such as energy from oil-fired powerplants of non-Federal utilities, with Federal hydropower. This entails an active program of conducting transmission system planning and operational studies and a responsive planning, design, and construction program for those facilities identified as necessary for mission accomplishment. An additional long-range objective is the development and implementation of an active conservation and renewable energy program both for in-house application and implementation by Western's power customers in conjunction with the power marketing program.

Western's high-voltage transmission system, which overlays a vast network of lower voltage lines, is used to move large quantities of electric energy and is part of a larger interconnected network covering the Central and Western United States. Network reliability is the measure by which Western's operation can be evaluated. Network reliability can be defined as the ability to withstand severe emergency conditions without uncontrolled cascading tripouts of system components which in turn lead to widespread power outages or blackouts. Minimum reliability criteria for system planning and operations, as established by the North American Electric Reliability Council regions in which Western operates (the Mid-Continent Area Power Pool and the Western Systems Coordinating Council), are used as standards in assessing Western's system operation.

For the period FY 1987 to FY 1991, Western's agencywide objectives by activity are:

Construction and Rehabilitation - Plan, design, and construct facilities to assure that Western's power transmission system will be adequate and reliable to deliver power to customer delivery points, to transfer energy from renewable resources, and to displace fossil-fired generation when possible.

During the next several years, Western will continue to upgrade and rehabilitate existing transmission facilities to reduce the risk of outages, lower maintenance costs, and increase efficiency of operations.

Work will continue on 345-kV transmission facilities in western Colorado and New Mexico under a joint effort between Western, Colorado-Ute Electric Association, and Public Service Company of Colorado. Construction is scheduled for completion in FY 1988. In addition, work will continue on the 345-kV Hayden-Gore Pass-Blue River transmission facilities, a joint effort between Western, Tri-State Generation and Transmission Association, Inc., Colorado-Ute Electric Association and Platte River Power Authority. Joint studies with other entities will continue to identify facility construction required to support interconnected transmission systems. Work will also be continued on transmission system improvements in Wyoming, Montana, North Dakota, South Dakota, Arizona, and Colorado. Western will complete construction of the 200-megawatt (MW) DC tie at Sidney, Nebraska, in FY 1987.

Engineering studies, environmental activities, field investigations, and land and rights activities will continue for construction of additional transmission facilities (interties) to allow for mutually beneficial power sales between the Pacific Northwest, California, Nevada, and Arizona.

Western is also conducting engineering and power marketing studies connected with the development and operation of Navy Geothermal projects at Fallon, Nevada, and transmission service from Tracy Substation to Lawrence Livermore Laboratories in California.

Power Management and Operation and Maintenance - There are three primary objectives:

1. Conduct an operation, maintenance, and replacement program in order to provide reliable service to Western's customers in a cost-effective manner.

   Regular power system operation and maintenance activities funded by appropriations and power revenues, including preventive maintenance and replacement of obsolete equipment or equipment that has reached its useful life, will continue throughout Western's service area.

   Western's Continuing Fund will ensure delivery of power to customers by providing a ready source of funding to defray expenses because of unusual or emergency conditions.

2. Plan and manage energy supplies.

   Western is required by law to maintain rates which are adequate to meet the repayment requirements of each project. Repayment is accomplished in accordance with various laws as well as the following policies, procedures, and guidelines:

   Secretary, Department of Energy, Delegation Order 0204-108, effective December 14, 1983, which addresses the development and approval of Power Marketing Administration power and transmission rates.

   Department of Energy Order No. RA 6120.2, dated September 27, 1979, as revised September 30, 1983, on Power Marketing Administration financial reporting.

> Procedures for public participation in power and transmission rate adjustments and extensions for the Alaska, Southeastern, Southwestern, and Western Area Power Administrations (10 CFR 903).
>
> Filing requirements and procedures for approving the rates of Federal Power Marketing Administrations, Federal Energy Regulatory Commission (FERC) Docket No. RM 80-40-000, issued June 12, 1984 (18 CFR 300).

In FY 1985, FERC confirmed and approved, on a final basis, rate adjustments for the Central Valley Project (third party transmission); the Pick-Sloan Missouri Basin Program (P-SMBP); and the Rio Grande Project.

Power rate studies will be performed during FY 1986 and FY 1987 for the Boulder Canyon Project, Central Valley Project, Collbran Project, Colorado River Storage Project (CRSP), Fryingpan-Arkansas Project, Pacific Northwest-Pacific Southwest AC Intertie, Parker-Davis Project, P-SMBP, Rio Grande Project, Washoe Project, and for wheeling rates for the Central Valley Project and the CRSP.

The Federal Power Marketing Administrations (PMAs) are required by law to repay the original Federal investment in hydroelectric generation and transmission projects, with interest, as well as that portion of irrigation investments assigned to be repaid from power sales. As of September 30, 1985, the investment to be repaid by Western's power system totaled about $4.1 billion of which $1.8 billion has been repaid. Cumulative power revenues total $6.3 billion. This sum has provided $2.2 billion for operation and maintenance and facility charges, $1.0 billion for purchase power, $1.3 billion for interest, and $1.8 billion for repayment of investment in facilities and assistance to irrigation.

Western continues to work on the development of post-1989 marketing plans (criteria), which define the quantity of power and energy for sale, geographic area involved, method of service, and customer qualifications. These plans will be implemented upon the expiration of existing contracts during the time period between 1989 and 2004.

Power marketing plans for Federal power from the P-SMBP (Western Division), the Fryingpan-Arkansas Project, the CRSP, Collbran, Rio Grande, and Provo River projects are presently being developed to be effective beginning with the October 1989 billing period, coincidental with the expiration of existing contracts.

During FY 1985, Western marketed nearly 50 billion kWh of available energy to over 550 power customers with electric service revenues of about $614 million. In FY 1986, energy sales are estimated at 37.0 billion kWh and revenues are estimated at $571.9 million. Sales are estimated at 35.4 billion kWh and revenues are estimated at $589.2 million in FY 1987. Annual sales will average about 34 billion kWh with annual revenues of about $566 million during the outyears. The above revenue totals include power sales, wheeling for others, and other miscellaneous power revenues and exclude BuRec energy sales and revenues associated with project use.

Water years 1983 and 1984 were two of the wettest in the last 40 years and above average runoff occurred in 1985. The excess energy due to these water conditions has resulted in significant increases in Western's fuel replacement sales during FY 1983 through FY 1985 with commensurate increases in revenues returned to the Treasury.

The change in energy sales from FY 1985 through FY 1987 is primarily a result of a return to average water conditions after FY 1985, plus a decline in the amount of Central Arizona Project (CAP) power that Western is able to market due to increasing project use of the power for pumping water along the CAP aqueduct. Even though energy sales are declining over the period, power revenues will not significantly decline, due primarily to scheduled rate increases for the Central Valley Project in California.

Western is also actively negotiating with the Province of Manitoba, Canada, for a potential long-term (i.e., 35 years) 1,100-MW power purchase arrangement for its customers. If these negotiations are successful, there could be an impact on outyear budget requests for construction of transmission facilities by the Federal Government and for power purchase activities.

3. Plan and implement an effective conservation and renewable energy program.

This program provides for technology transfers, including providing workshops and seminars for Western's customers, developing community energy management plans and home energy rating systems, and for economic analyses.

Since 1981, Western has laid the groundwork for its customer-oriented Conservation and Renewable Energy (C&RE) program by developing program alternatives to meet its customers' needs. Western has become a trusted agent with its customers in the joint implementation of its C&RE efforts. The program has gained strong acceptance, credibility, and support. Most of Western's C&RE program activities are geared toward providing a mechanism for Western and its customers to be able to rapidly respond to changing supply and demand situations. The C&RE program works through a series of interpersonal contacts between Western staff and customer directors, managers, superintendents, engineers, and utility representatives. Western's program continues to be aimed at gathering and disseminating energy demand and supply data, economic information, development technology, and at providing training and education.

The passage of P.L. 98-381, August 17, 1984, resulted in a public process through which Western amended its existing regulations for the development and implementation of an energy conservation program by Western's customers.

Purchase Power and Wheeling - Purchase of energy to meet contractual obligations and participate in the fuel replacement program (formerly the oil conservation program).

The former oil conservation program is now referred to as the fuel replacement program. The change reflects the actual use of the Federal hydropower system in promoting more efficient utilization of non-renewable resources. The amounts and types of thermal generation resources installed within Western's marketing area have changed over time. Current energy resource conditions allow Western to displace a mix of oil-, natural gas-, and coal-fired generation. Consequently, the classification as a fuel replacement program was deemed more appropriate.

Western will continue to purchase power and pay wheeling charges to meet firm contractual obligations and participate in the fuel replacement program during the period FY 1987 - FY 1991. Appropriations are primarily earmarked for purchases of energy for the Central Valley Project (CVP) in California. Budget requests for the CVP will continue to be based on a blend of federally generated energy, energy previously banked with the Pacific Gas and Electric Company, and energy support purchases from various entities to meet existing firm contract commitments.

Staffing

To accomplish these objectives, Western is allocated a total employment level of 1,379 full-time equivalents as a base-level staffing requirement in FY 1987. Western continues to contract out services, where feasible, in accordance with OMB Circular A-76 principles.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
WESTERN AREA POWER ADMINISTRATION
CONSTRUCTION, REHABILITATION, OPERATION AND MAINTENANCE
POWER MARKETING - WESTERN AREA POWER ADMINISTRATION

(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1985 Appropriation	FY 1986 Adjusted Appropriation	FY 1987 Base	FY 1987 Request	Request vs Base
Power Marketing - Western Area Power Administration					
Construction and rehabilitation					
Operating expenses	$ 83,230	$ 79,165	$ 79,165	$ 83,985	$ 4,820
System operation and maintenance					
Operating expenses [1]	75,000	74,477	74,683	86,172	11,489
Purchase power and wheeling					
Operating expenses	90,000	72,500	72,500	113,690	41,190
Subtotal (Program)	$248,230	$226,142	$226,348	$283,847	$57,499
Use of prior year balances (net)	-30,000	-30,300	-43,538	-43,538	-0-
Total					
Operating expenses.......	$218,230	$195,842	$182,810	$240,309	$57,499
Power Marketing - Western Area Power Administration	$218,230	$195,842	$182,810	$240,309	$57,499
Staffing Total FTEs	1,181	1,160	1,160	1,160	-0-

Principal Acts governing program:

Authorization:
- Reclamation Act of 1902
- Reclamation Project Act of 1939, Public Law 76-260
- Flood Control Act of 1944, Section 5
- Public Law 95-91, 1977, Section 302
- Hoover Power Plant Act of 1984

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[1] Includes the following amounts of permanent budget authority that will be transferred to Western for operation and maintenance and power marketing activities of the Boulder Canyon Project as provided in section 104(a)(4) of the Hoover Power Plant Act of 1984 (Public Law 98-381, 98 Stat. 1333):

Fiscal Year	Amount
1986	$ 890,000
1987	$3,463,000

Department of Energy

FY 1987 Congresional Budget Request

Adjustments to FY 1986 Appropriations

	FY 1986 Conference	General Reduction	Pay Cost* Restoration	FTE General Reduction	Gramm Rudman-Hollings Reduction	Subtotal	Comparability Adjustments	Adj. Approp. Total
Western Area Power Administration								
Operations & Maintenance								
Operating expenses	$ 80,300	$ ---	$ ---	$ -68	$-1,067	$ 79,165	$ -3,000	$ 76,165
System operation and maintenance Operating expenses	75,000	---	1,000	---	-523	75,477	-1,500	73,977
Purchase power and wheeling Operating expenses	82,500	-10,000	---	---	---	72,500	-25,800	46,700
Subtotal, Western Area Power Administration	$237,800	$-10,000	$ 1,000	$ -68	$-1,590	$227,142	-30,300	$196,842
General Reduction	-10,000	+10,000	---	---	---	---	---	---
FTE Reduction	-68	---	---	+68	---	---	---	---
Pay Restoration (ESR&D Transfer)......	-1,000	---	---	---	---	-1,000	---	-1,000
Use of Prior Year Balances (WAPA)	-30,300	---	---	---	---	-30,300	30,300	---
Total, Western Area Power Administration	$196,432	$ ---	$ 1,000	$ ---	$-1,590	$195,842	$ ---	$195,842

*Less: Transfer of unobligated balances.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF CHANGES
WESTERN AREA POWER ADMINISTRATION
CONSTRUCTION, REHABILITATION, OPERATION AND MAINTENANCE
POWER MARKETING - WESTERN AREA POWER ADMINISTRATION
(Tabular dollars in thousands. Narrative material in whole dollars.)

FY 1986 Program	$226,142
Built-in increases and decreases:	
Increase for Standard Level User Charge (rent) costs	+ 206
FY 1987 Base (Program)	$226,348
Program increases and decreases:	
Program increases in construction and rehabilitation activities due to a higher level of construction activity	+4,820
Increase in operation and maintenance activities for replacements, additions, materials, and supplies to improve operational efficiency, plus adjustments for allocation of Administrative and General Expenses	+11,489
Increase in purchase power and wheeling program due to increased cost of power and first full year of buying more firm thermal power and less surplus hydropower	+41,190
FY 1987 Program	$283,847
Application of Prior year balances	-43,538
FY 1987 budget request	$240,309

NARRATIVE JUSTIFICATION

The FY 1987 request of $240,309,000 reflects an increase of $44,467,000 over the FY 1986 appropriation of $195,842,000. Of the total increase approximately $30 million is due to increased purchase power and wheeling requirements for the Central Valley Project (CVP) in California. In FY 1986, Western is implementing a contract with Basin Electric Power Cooperative for the delivery of power to the CVP. The FY 1987 request reflects the first full year of the purchase of this higher cost power. In addition, the amount of power purchased from Bonneville Power Administration (BPA) through the use of nonappropriation transfers will be reduced, which will further increase purchase power appropriation requirements in FY 1987. The remainder of the increase, $14.4 million, is primarily due to increased power system replacements and additions, including consolidation of transmission facilities at Hoover Powerplant in southern Nevada, and adjustments in allocation of Western's administrative and general expenses.

Narrative justifications for each of Western's activities are provided below.

Construction and Rehabilitation - General Statement

Summarized Financial Data:

Fiscal Year 1986	
Appropriation	$ 76,233,000
Application of Prior Year Balances	3,000,000
FY 1986 FTE General Reduction	-68,000
Subtotal	$ 79,165,000
Adjustment for Actual Unobligated Balances	4,678,999
Subtotal (direct program)	$ 83,843,999
Non-Federal Advances for Cosponsored Work	31,791,698
Total FY 1986	$115,635,697
Fiscal Year 1987	
Estimate of Appropriation	$ 77,685,000
Application of Prior Year Balances	6,300,000
Subtotal	83,985,000
Non-Federal Advances for Cosponsored Work	22,718,000
Total FY 1987	$106,703,000

Western's construction program is required to continue to satisfy obligations for the delivery of power. These requirements change as the interconnected power systems, of which Western is a part, grow and evolve. As a result of interconnections, transmission line loading is no longer solely a function of Western's resources and loads but is influenced by the load and resource arrangements of the systems with which it interconnects. Furthermore, disturbances in one system reflect throughout the interconnected systems. Thus, to assure reliable operation of its transmission system, Western must rehabilitate, upgrade, or replace transmission facilities which have reached the end of their useful service, have become overloaded, or have sustained damage. To the maximum extent possible, the cost of system upgrading is shared with neighboring utilities who also benefit from the resulting interconnected system transmission capacity. Interconnection and increased transmission capacity allow for the exchange of power and energy between utilities. This exchange facilitates greater utilization of lower cost sources of energy and a minimum duplication of facilities. This potentially allows for the purchase of lower cost energy from more distant sources to meet the requirements for firm power, which is guaranteed to be available at all times except for reasons of certain uncontrollable forces or continuity of service provisions.

Western's construction activity is made up of two basic components: (1) items related to the rehabilitation and upgrade of existing facilities; and (2) new facilities. More than 50 percent of Western's 16,000 miles of transmission lines were constructed with wood poles. These poles have an average life of 25 to 30 years which can be extended to 45 to 50 years by chemical retreatment. A large number of the wood poles which Western inherited, however, were not retreated and have reached, or are approaching, their useful service lives. As a result of the aged wood poles and the need to increase transfer capability, Western must continue an improvement program to upgrade and rehabilitate these lines to keep the system not only fully operational, but also operating in accordance with reliability standards established by the Western Systems Coordinating Council and the Mid-Continent Area Power Pool. In FY 1987, Western will complete work on four transmission lines and is requesting funds for the award of construction contracts on four other transmission lines. By maintaining an orderly, balanced schedule of contract awards, Western will be able to carry out its responsibility to provide for the continuous and reliable delivery of power at the lowest possible cost to the customer.

Whether rehabilitating and upgrading existing facilities or constructing new facilities, Western's construction activities often involve joint projects with other utilities. By participating with other utilities on joint projects, Western is able to take advantage of existing facility sites and transmission line rights-of-way, achieve economy of scale by developing one large project in lieu of two or more smaller projects, and enhance revenues from the Federal power system. Costs for such joint projects are apportioned among the various participants according to their respective needs and the benefits derived from their use of the facilities. The size of Western's share of joint projects is based on studies to determine the capacity needed to meet Western's legislative and contractual commitments.

Western rehabilitates and upgrades existing facilities to:

- Replace worn out equipment and facilities which are beyond their useful lives, thereby reducing outages and lowering maintenance costs.

- Replace overloaded equipment and facilities with higher capacity components to avoid outages.

- Replace aging and damaged wood-pole transmission structures with either new wood poles or steel structures.

- Upgrade portions of Western's transmission system facilities to increase reliability of operations; meet current safety, environmental, and conservation standards; maintain or increase the efficiency of operation and maintenance work; and serve increased customer loads.

Western builds new transmission facilities to:

- Improve the transmission system's stability and reliability to avoid major outages.
- Interconnect with other power systems to take advantage of differing load patterns between regions in order to minimize construction of new generating capacity.
- Provide increased joint transmission capacity to transfer lower cost nuclear and coal-fired generation to offset higher cost oil- and gas-fired generation and to earn wheeling revenues to assist in repayment of new facilities.
- Increase power transfer capability between Western's eastern and western transmission systems to improve system operations and efficiency and allow transfer of hydroelectric and coal-fired generation to reduce use of higher cost oil-fired generation.
- Provide increased transmission capacity to reduce the overburdening of Western's and other utilities' interconnected transmission facilities.
- Increase Western's fuel replacement program. This program consists primarily of purchasing coal-fired energy to meet Western's loads during offpeak periods. Water saved in this manner is released through hydroelectric plants onpeak to replace high-cost oil- or gas-fired energy which would have been needed by neighboring utilities. Cost savings are shared between Western and the other utilities involved.

In many instances, the need for new transmission facilities is determined through Western's participation in joint planning with other interconnected utilities. The proportionate responsibility for new facilities is based on each utility's share of generation resources and loads served. Any new transmission capacity in excess of Western's current needs is used to wheel firm or nonfirm energy for others, thereby providing revenues to assist in repayment of costs.

Accomplishments

- Construction of the Miles City AC-DC-AC Converter Station and related facilities was completed and commercial operation began in July 1985.
- Western awarded a construction contract on June 10, 1985, for the Spence-Thermopolis 230-kV Transmission Line in Wyoming.
- Negotiations were completed on a Memorandum of Understanding among the major utilities in California regarding the participation, ownership, construction, and operation of the California-Oregon Transmission Project in California, as well as compensation to Western for the existing Federal facilities.
- A construction contract was awarded in FY 1985 to reroute the Devils Lake Area Transmission Line in North Dakota.

- Western awarded a construction contract on September 26, 1985 for the Liberty-Coolidge 230-kV Transmission Line in Arizona.

- Construction was completed on 16 substation additions, 23 miles of transmission lines, and 1 communication system addition in FY 1985.

Objectives

- Continue to plan, design, and construct essential transmission lines, substations, and other facilities, sharing these efforts with neighboring utilities to the maximum extent possible. Western plans to complete construction on 18 substation additions, 3 building additions, 5 communication system additions, and over 370 miles of transmission lines in FY 1986, and 10 substation additions, approximately 400 miles of transmission lines, 3 building additions and 1 communication system addition in FY 1987.

- Construction of the Great Falls-Conrad 230-kV Transmission Line and Terminal Facilities is expected to be completed in FY 1986.

- Award contracts for the acquisition of Computer Aided Engineering equipment during FY 1986 and additional equipment in FY 1987.

- Award a construction contract for the Blue River-Gore Pass portion of the Hayden-Gore Pass-Blue River 345-kV Transmission Line during FY 1986.

- Award a construction contract for the Casper-Spence portion of the Casper-Spence-Thermopolis 230-kV Transmission Line during FY 1986.

- Western will award contracts in FY 1986 for the purchase and installation of equipment at Maurine Substation in northwestern South Dakota.

- A construction contract will be awarded in FY 1986 for the Archer (Wyoming)-Stegall (Nebraska) 115-kV Transmission Line replacement.

- Work will continue on the replacement and rehabilitation of deteriorated wood-pole transmission structures.

FY 1987 Budget Request

Western's construction activity is executed in stages. Accordingly, annual funding required for a given facility or activity will vary depending on which stage is scheduled for accomplishment during that particular year.

Western's FY 1987 requirement of $83,985,000 includes $12,415,000 for performing engineering studies, field surveys, environmental work, design and specification preparation, and land and rights activities. These tasks are an integral part of Western's construction activity and represent the continuing effort to rehabilitate and upgrade Western's power transmission system to insure continuous and reliable service.

In FY 1987, the request provides funds for continuing participation in the Mead-Phoenix DC Intertie project with the Southern California Public Power Authority. The project will provide additional transmission capacity in the states of Arizona, Nevada, and California. The financing of this project is currently planned as almost totally non-Federal. The request also provides for preliminary engineering and power marketing activities to be performed on the Mead-Adelanto DC Intertie in Nevada and California, the Mead-Northwest DC Intertie. Western will also continue to participate with others on the California-Oregon Transmission Project in California to connect the Pacific Northwest and Pacific Southwest regions as authorized by Public Laws 88-552 and 98-360. Funds may be used to increase Western's percentage of transfer capability in the California-Oregon Transmission Project. Funds are also provided for preconstruction activities on the Fallon-Ft. Churchill Transmission Line which is associated with the development, by the United States Navy, of the Geothermal projects at Fallon, Nevada; for transmission improvements and modifications in western Kansas under joint participation arrangements with others; for the Craig-Bonanza 345-kV Transmission Line in Colorado and Utah; and for various system upgrades.

The FY 1987 request also includes $30,482,000 for continuing or completing work on facilities which were under construction in FY 1986. Included in the request are funds for the completion of: the Liberty-Coolidge 230-kV Transmission Line and associated terminal facilities in Arizona to increase system reliability and provide the transfer capability required to serve the Central Arizona Project loads; Maurine Substation additions to provide improved system reliability and capability in northwestern South Dakota; the Devils Lake Area Transmission in North Dakota to prevent the possibility of line outages due to structure collapse; the Sidney DC tie additions and related AC facilities to interconnect Western's eastern and western transmission system; the Archer-Stegall 115-kV Transmission Line replacement to provide increased reliability and additional capacity in southeastern Wyoming and western Nebraska; the Blue River-Gore Pass portion of the Hayden-Gore Pass-Blue River 345-kV Transmission Line to provide increased transmission capability between eastern and western Colorado; the Billings Area Microwave System to provide a more reliable communication and control system; the Saguaro-Tucson 115-kV Transmission Line rebuild in Arizona to provide increased capacity; the Huron District Office service center additions to provide a facility for testing construction materials and a vehicle maintenance shop; and equipment additions at various substations and switchyards such as Granite Falls Substation (Minnesota), Casper Substation (Wyoming), and Lone Butte Substation (Arizona).

Work will be continued on the 345-kV transmission line and terminal facility additions, including phase-shifting transformers, in western Colorado and northern New Mexico. This project, which is being financed jointly by Western, Colorado-Ute Electric Association, and Public Service Company of Colorado, will reduce major system outages, reduce energy losses, reduce inadvertant flows, and will increase the reliability of the interconnected transmission systems. The purchase and installation of additional capacitor banks, a 300-MVA, 230-kV phase-shifting transformer, and a 600 MVA 345/230-kV transformer for the Glen Canyon-Flagstaff-Pinnacle Peak transmission system in Arizona will be continued. These additions will provide additional transfer capability, reduce inadvertant flows, and allow utilization of the extra generation from the uprated powerplant at Glen Canyon Dam.

Work will also be continued on the Casper-Spence-Thermopolis 230-kV Transmission Line and terminal facilities (formerly called the Thermopolis-Alcova-Casper 230-kV Transmission Line) which will allow capacity exchanges between Western and Pacific Power and Light Company, provide increased transfer capability through Wyoming, and relieve overloading conditions. Western will continue to participate with Tri-State Generation and Transmission Association, Colorado-Ute Electric Association, and Platte River Power Authority on the Hayden-Gore Pass portion of the Hayden-Gore Pass-Blue River 345-kV Transmission Line which is needed to meet increasing power requirements in the Winter Park, Colorado, area, to improve system stability and reliability, and to increase transmission capability between eastern and western Colorado.

Other ongoing work includes the purchase and installation of microwave equipment, Computer Aided Engineering equipment, and various system modifications or additions to previously completed facilities to improve reliability and operational efficiency.

The FY 1987 request includes $41,088,000 for construction contract awards associated with the upgrading of Western's power transmission system. Of this amount, $8,550,000 is for construction of the Conrad-Shelby 230-kV Transmission Line and terminal facilities to improve system reliability in the Cut Bank/Shelby area of Montana by providing additional transmission capacity and reducing transmission system power and energy losses. In addition, construction of this line will insure that the electrical loads in the area will continue to be served reliably during scheduled and unscheduled outages.

The $41,088,000 request for contract awards also includes $6,775,000 for the construction of the Liberty-Parker 230-kV Transmission Line and terminal facilities in Arizona. Western plans to upgrade the existing 161-kV line to 230 kV to increase transmission capacity from the Colorado River to Phoenix, Arizona, and improve system reliability and stability in the area. The construction contract will be incrementally funded in FY 1987 with approximately half of the funds planned for obligation at award and the remainder planned for obligation in FY 1988.

The request for new contract awards also provides $7,230,000 for construction of the Casper-Dave Johnston 230-kV Transmission Line and terminal facilities in Wyoming. These facilities will improve system reliability in the central Wyoming area by increasing the transfer capability between Colorado and Montana, and reducing system losses due to the currently limited transmission capacity and the deteriorated condition of the existing lines. In addition, construction of this line will provide a source, as a pathway from Dave Johnston powerplant, for the 230-kV operation of the Casper-Spence-Thermopolis 230-kV Transmission Line now under construction.

In addition, the $41,088,000 request for contract awards includes $5,555,000 to rebuild and upgrade, to 115 kV, the Casper-Waltman 69-kV Transmission Line and terminal facilities in Wyoming. This rebuild will provide increased system reliability by replacing the deteriorated line with new structures and by reducing the susceptibility of the line to lightning strikes through installation of overhead ground wires.

The remaining balance of $12,978,000 for contract awards will be used to initiate work on various system improvements including: Bismarck Substation additions (North Dakota); Sioux City Substation additions (Iowa); Morris Substation additions (Minnesota); Dawson County Substation additions (Montana); Flandreau Substation additions (South Dakota), Wolf Point Substation additions (Montana); Cheyenne Substation modifications (Wyoming); Curecanti-Montrose 115-kV Transmission Line Upgrade (Colorado); paving of the warehouse yard at the Power Marketing Operations Complex in Loveland, Colorado; and shop buildings and warehouse additions to the Casper (Wyoming) and Gering (Nebraska) service centers. These facility additions are required to maintain and improve the reliability and operational efficiency of Western's power transmission system.

The following tabulations and power system data sheets explain Western's construction program in more detail.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION
CONSTRUCTION SUMMARY
(In thousands of dollars)

Power System/Activity	Estimated Total 1/	Estimated Obligations to Date	FY 1986 Estimate	FY 1987 Request 2/	Remaining Balance
Central Valley Project					
Transmission Lines and Terminal Facilities	$ 88,986	$ 14,442	$ 30	$ 441	$ 74,073
Substations	16,303	14,612	1,691	-0-	-0-
Other	30,391	24,002	611	224	5,554
Subtotal	$ 135,680	$ 53,056	$ 2,332	$ 665	$ 79,627
Parker-Davis Project					
Liberty-Coolidge 230-kV T.L.	$ 23,257	$ 20,814	$ 1,102	$ 1,341	$ -0-
Liberty-Parker 230-kV T.L.	14,700	-0-	1,500	6,775 3/	6,425 3/
Transmission Lines and Terminal Facilities	35,047	8,999	1,775	976	23,297
Substations	6,135	4,288	1,828	19	-0-
Other	7,483	4,308	978	512	1,685
Subtotal	$ 86,622	$ 38,409	$ 7,183	$ 9,623	$ 31,407
Pacific Northwest-Pacific Southwest Intertie					
Transmission Lines and Terminal Facilities	$ 245,544	$ 9,010	$ 8,313	$ 4,842	$ 223,379
Other	886	46	90	750	-0-
Subtotal	$ 246,430	$ 9,056	$ 8,403	$ 5,592	$ 223,379
Pick-Sloan Missouri Basin Program					
Archer-Stegall 115-kV T.L.	$ 10,549	$ 780	$ 9,149	$ 620	$ -0-
Casper-Spence-Thermopolis 230-kV T.L.	31,348	21,480	7,628	873	1,367
Billings Microwave System	11,887	6,842	3,209	1,836	-0-
Conrad-Shelby 230-kV T.L.	10,675	300	255	8,550	1,570
Casper-Dave Johnston 230-kV T.L.	8,979	109	380	7,230	1,260
AC-DC-AC Ties	57,595	53,943	2,942 4/	710 4/	-0-
Casper-Waltman 115-kV T.L.	6,954	104	330	5,555	965
Blue River-Gore Pass 230/345-kV T.L.	6,439	1,737	4,101	601	-0-
Transmission Lines and Terminal Facilities	272,432	24,502	4,189	4,929	238,812
Substations	72,462	14,422	12,813	11,237	33,990
Other	122,010	106,254	7,910	3,828	4,018
Subtotal	$ 611,330	$ 230,473	$ 52,906	$ 45,969	$ 281,982
Colorado River Storage Project					
Western Colorado 345-kV T.L.	$ 72,645	$ 58,330	$ 4,985 5/	$ 6,360	$ 2,970
Glen Canyon-Flagstaff-Pinnacle Peak	21,680	2,099	1,337	7,739	10,505
Transmission Lines and Terminal Facilities	169,581	24,880	2,608	5,448	136,645
Substations	7,968	4,796	1,642	1,052	478
Other	23,275	17,061	2,412	985	2,817
Subtotal	$ 295,149	$ 107,166	$ 12,984	$ 21,584	$ 153,415
Other Power System Activities					
Transmission Lines and Terminal Facilities	$ 9,908	$ 208	$ 36	$ 552 6/	$ 9,112
Subtotal	$ 9,908	$ 208	$ 36	$ 552	$ 9,112
Total, Western	$1,385,119	$ 438,368	$ 83,844	$ 83,985 7/	$ 778,922

1/ Federal funds only.

2/ Construction contracts for facilities with a total estimated cost in excess of $10 million are planned for incremental funding.

3/ Reflects planned incremental funding for the construction contract.

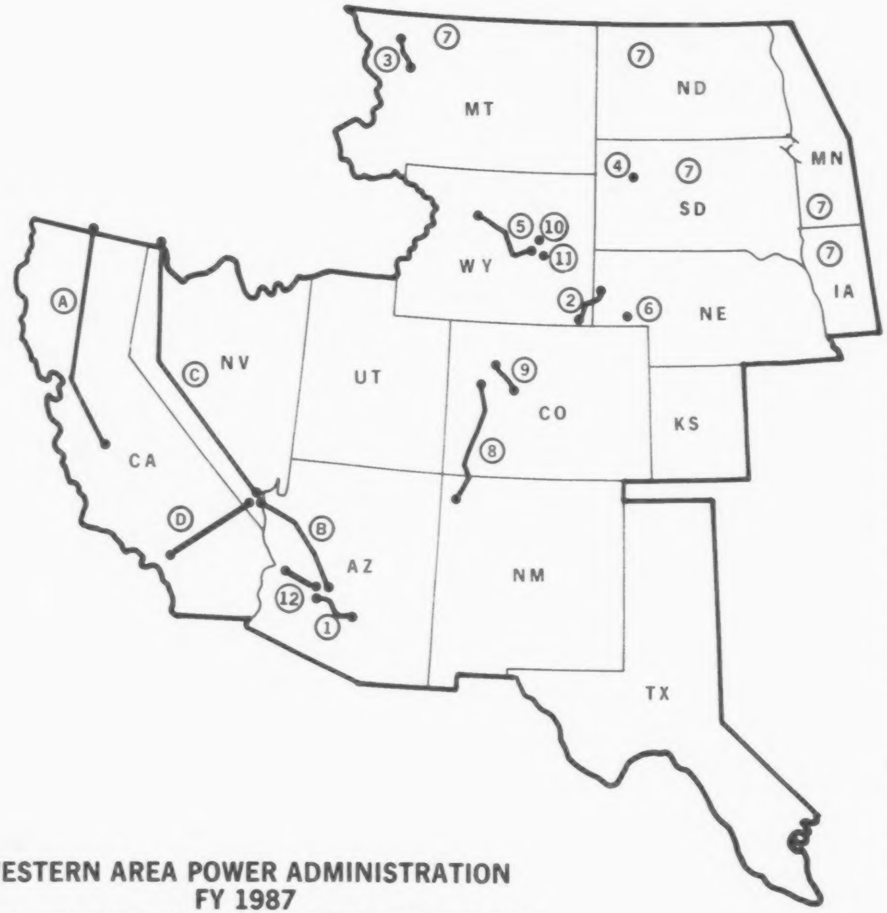
4/ Includes unobligated balance from the FY 1983 $30 million supplemental appropriation carried forward to fund the Sidney DC Tie additions (FY 1986: $2,225,000; FY 1987: $710,000).

5/ Provides for follow-on work necessary to alleviate inadvertant power flow in western Colorado and northern New Mexico.

6/ Preconstruction activities for Fallon, Nevada Geothermal projects construction program.

7/ Reflects $77,685,000 of new budget authority; $710,000 of prior year balances for Sidney DC Tie additions; and $5,590,000 of prior year balances for Liberty-Parker 230-kV T.L.

Note: Activity line item selection criteria basis: major construction item with $5,000,000 or greater total cost with construction in FY 1987.



FACILITY CONSTRUCTION

① Liberty - Coolidge 230-kV T.L.
② Archer - Stegall 115-kV T.L.
③ Conrad - Shelby 230-kV T.L.
④ Maurine Substation
⑤ Casper - Spence - Thermopolis 230-kV T.L.
⑥ Sidney AC-DC-AC Tie
⑦ Billings Microwave System
⑧ Western Colorado 345-kV T.L.
⑨ Hayden - Gore Pass - Blue River 230/345 kV T.L.
⑩ Casper - Waltman 115-kV T.L.
⑪ Casper - Dave Johnston 230-kV T.L.
⑫ Liberty - Parker 230-kV T.L.

STUDIES

Ⓐ California - Oregon Transmission Project
Ⓑ Mead - Phoenix DC Intertie
Ⓒ Mead - Northwest Intertie
Ⓓ Mead - Adelanto DC Intertie

WESTERN AREA POWER ADMINISTRATION
FY 1987
MAJOR FACILITY CONSTRUCTION AND STUDIES

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET
WESTERN AREA POWER ADMINISTRATION
(Dollars in thousands)

Central Valley Power System

	Estimated Total	Cumulative Prior Years	FY 1986 Estimate		FY 1987 Estimate		Remaining Balance
	obs	obs	obs	BO	obs	BO	obs
Operating Expenses (DOE): Design and Construction	$135,680	$ 53,056	$ 2,332	$ 6,723	$ 665	$ 750	$ 79,627
Total DOE obs/BO	$135,680	$ 53,056	$ 2,332	$ 6,723	$ 665	$ 750	$ 79,627
Non-DOE obs/BO Design and Construction	$ 8,252	$ 279	$ 3,673	$ 3,164	$ 4,300	$ 4,206	$ ---
Total Obligations/Outlays	$143,932	$ 53,335	$ 6,005	$ 9,887	$ 4,965	$ 4,956	$ 79,627
Method of Financing:							
Appropriations Available and Required			$ 2,313		$ 665		$ 79,627
Application of Prior Year Funds			$ 19		$ ---		$ ---
Non-Federal Advances			$ 3,673		$ 4,300		$ ---

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 2
WESTERN AREA POWER ADMINISTRATION

Central Valley Power System (continued)

Description, Objective, and Justification

The Central Valley Transmission System consists of over 1,300 circuit miles of 69- to 500-kV transmission lines which interconnect 10 powerplants, 1 pumping plant, and 12 major substations. Western markets electric power to preference wholesale customers and others, and administers a sales, transmission, and interchange contract with the Pacific Gas and Electric Company (PG&E), the major private power utility in the area.

The objective of the program is to provide Western's customers with reliable electric power by increasing transmission system dependability and decreasing system line losses.

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Transmission Lines and Terminal Facilities	Continuing		$441,000

- Preconstruction activities will be performed for the second phase of upgrading and modernizing the Cottonwood-Elverta No. 3 230-kV Transmission Line and for transmission facilities for the City of Roseville in California. All costs associated with the construction of the Roseville Direct Service transmission facilities will be financed entirely by the City of Roseville.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 3
WESTERN AREA POWER ADMINISTRATION

Central Valley Power System (continued)

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Other	Continuing		224,000

- Western will continue the purchase and installation of minor system additions and will continue construction and preconstruction activities on minor modifications to substantially completed facilities.

	Total		$665,000

B. Management and Contracting

- Design and other preconstruction work will be performed by Western staff and outside contractors as required. Construction will be performed by contractor effort.

C. Prior Year Achievements

- Completed construction of Keswick Substation Stage 03 (California). Awarded contracts for Folsom Substation Modifications and Whiskeytown Substation Modifications.

D. Current Year Planned Achievement

- Complete construction of the Sacramento Area Microwave System additions (California), Folsom Substation modifications (California), Whiskeytown Substation (California), Pacheco Substation (California), and Coyote Substation (California).

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET
WESTERN AREA POWER ADMINISTRATION
(Dollars in thousands)

Parker-Davis Power System

	Estimated Total	Cumulative Prior Years	FY 1986 Estimate		FY 1987 Estimate		Remaining Balance
	obs	obs	obs	BO	obs	BO	obs
Operating Expenses (DOE):							
Design and Construction	$ 86,622	$ 38,409	$ 7,183	$ 14,936	$ 9,623	$ 12,373	$ 31,407
Total DOE obs/BO	$ 86,622	$ 38,409	$ 7,183	$ 14,936	$ 9,623	$ 12,373	$ 31,407
Non-DOE obs							
Design and Construction	$ 7,252	$ 1,169	$ 1,083	$ 1,096	$ 1,000	$ 1,012	$ 4,000
Total Obligations/Outlays	$ 93,874	$ 39,578	$ 8,266	$ 16,032	$ 10,623	$ 13,385	$ 35,407
Method of Financing:							
Appropriations Available and Required			$ 7,182		$ 4,033		$ 31,407
Application of Prior Year Funds			$ 1		$ 5,590		$ ---
Non-Federal Advances			$ 1,083		$ 1,000		$ 4,000

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 2
WESTERN AREA POWER ADMINISTRATION

Parker-Davis Power System (continued)

Description, Objectives, and Justification

The Parker-Davis Power System contains over 1,600 miles of transmission lines and over 2,000,000 kVA of installed capacity at substations in Arizona, California, and Nevada. The facilities are constructed to carry power generated by the Bureau of Reclamation hydroelectric plants at Davis Dam and Parker Dam to various load centers of preference customers.

The construction activities funded by this program consist of additions and modifications to the existing transmission system to increase system dependability and to provide reliable electric service to Western's customers.

A. Planned Activities

Activity	Construction		FY 1987
	Start	Stop	Estimate
Liberty-Coolidge 230-kV Transmission Line and Terminal Facilities	1st Qtr 1984	3rd Qtr 1987	$1,341,000

- Construction will be completed on the Liberty-Coolidge 230-kV Transmission Line and associated terminal facilities located in Arizona in FY 1987. The total estimated cost of the Liberty-Coolidge 230-kV Transmission Line and Terminal Facilities is $23,257,000.

Parker-Davis Power System (continued)

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Liberty-Parker 230-kV Transmission Line	4th Qtr 1987	1st Qtr 1989	6,775,000

- Construction of the Liberty-Parker 230-kV Transmission Line is scheduled to begin in FY 1987. Western will upgrade approximately 120 miles of the existing wood-pole Parker-Phoenix 161-kV line from Parker Dam in California to Liberty Substation near Phoenix, Arizona. The new line will be constructed utilizing steel structures and larger conductor to allow conversion to 230 kV so that the new line will be compatible with newer 230-kV transmission lines in Arizona.

  Conversion of the existing 161-kV transmission line to 230 kV will provide additional transfer capability between Parker Dam powerplant and Phoenix and reduce line losses, increase system efficiency and reliability, and insure that Western will be able to meet its delivery obligations. In addition, continuing the orderly conversion of the 161-kV system to 230 kV will allow increased economy energy sales.

Parker-Davis Power System (continued)

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Liberty-Parker 230-kV Transmission Line (continued)			
The construction contract for this work will be incrementally funded, with an initial obligation being incurred at award in FY 1987 and the remainder of the funds obligated in FY 1988. The total estimated cost for construction of the Liberty-Parker 230-kV Transmission Line and terminal facilities is $14.7 million.			
Transmission Lines and Terminal Facilities	Continuing		976,000
- Construction will be completed on reconductoring the Saguaro-Tucson 115-kV Transmission Line. Western will also perform various planning and design activities on miscellaneous facilities, including the New Mexico-California Transmission Line and the Liberty-Maricopa 230-kV Transmission Line in Arizona.			
Substations	Continuing		19,000
- Western will complete construction of Lone Butte Substation in Arizona, which is financed jointly by Western and the Bureau of Indian Affairs. Lone Butte Substation will be a major facility in the San Carlos Irrigation Project electrical system.			

Parker-Davis Power System (continued)

A. Planned Activities

Activity	Construction		FY 1987
	Start	Stop	Estimate
Other	Continuing		512,000

- Planning, design, and other preconstruction activities will continue on miscellaneous facilities and Western will perform minor modifications to substantially completed facilities.

	Total		$9,623,000

B. Management and Contracting

- Design and other preconstruction work will be performed by Western staff and outside contractors as required. Construction will be performed by contractor effort.

C. Prior Year Achievements

- Western awarded a construction contract for Liberty-Coolidge 230-kV Transmission Line and Terminal Facilities (Arizona). Construction was completed on Parker Switchyard, Stage 03 (Arizona), Sonora Substation, Stage 01A (Arizona), and Spook Hill Substation, Stage 01 (Arizona).

D. Current Year Planned Achievements

- Western will complete construction of Parker Switchyard, Stage 04 (Arizona), Phoenix Service Center additions for vehicle shelter and parking (Arizona), Liberty Substation (Arizona), Coolidge Substation (Arizona), and ED2-Saguaro No. 2 115-kV Transmission Line (Arizona), and will award a construction contract for Saguaro-Tucson 115-kV Transmission Line Reconductoring (Arizona).

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET
WESTERN AREA POWER ADMINISTRATION
(Dollars in thousands)

Pacific Northwest-Pacific Southwest Intertie

	Estimated Total	Cumulative Prior Years	FY 1986 Estimate		FY 1987 Estimate		Remaining Balance
	obs	obs	obs	BO	obs	BO	obs
Operating Expenses (DOE): Design and Construction	$246,430	$ 9,056	$ 8,403	$ 4,668	$ 5,592	$ 7,127	$223,379
Total DOE obs/BO	$246,430	$ 9,056	$ 8,403	$ 4,668	$ 5,592	$ 7,127	$223,379
Non-DOE obs/BO Design and Construction	$316,644	$ 412	$ 15,261	$ 13,034	$ 9,374	$10,254	$291,597
Total Obligations/Outlays	$563,074	$ 9,468	$ 23,664	$ 17,702	$14,966	$17,381	$514,976
Method of Financing:							
Appropriations Available and Required			$ 8,370		$ 5,592		$223,379
Application of Prior Year Funds			$ 33		$ ---		$ ---
Non-Federal Advances			$ 15,261		$ 9,374		$291,597

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 2
WESTERN AREA POWER ADMINISTRATION

Pacific Northwest-Pacific Southwest Intertie (continued)

Description, Objective, and Justification

This power system, authorized by Congress under Public Law 88-552, presently consists of a ±500-kV DC line from the Celilo Converter Station near The Dalles, Oregon, to the Sylmar Converter Station near Los Angeles, California, two 500-kV AC lines from northcentral Oregon through northern California to southern California, and a 345-kV AC line from Mead Substation near Las Vegas, Nevada, to Liberty Substation near Phoenix, Arizona.

Two other high-voltage DC lines, one from the Celilo Converter Station to Mead Substation, the other from Mead Substation to Los Angeles, and a second 345-kV AC line from Mead Substation to the Phoenix area, although authorized, were never constructed.

The Federal portion of the Intertie located in Arizona, California, and Nevada is assigned to Western. The portion located in Oregon is assigned to the Bonneville Power Administration. The existing Intertie facilities permit the sale of power from the Northwest to California, and between Arizona, Nevada, and California and allows seasonal exchanges of capacity between the Pacific Southwest and the Pacific Northwest coastal areas only.

The existing transmission system does not have the capacity needed to meet Western's customers' requests for transmission service under all conditions with present generation and load patterns. Western is working with non-Federal power utility interests to study the costs and benefits of an additional line from Mead Substation to the Phoenix area, approximately 240 miles, which would be financed by non-Federal interests. This is referred to as the Mead-Phoenix DC Intertie, which is Phase I of the continuing project. Study activities are continuing for Phase II, the Mead-Adelanto DC Intertie. The Mead-Adelanto DC Intertie, operating in conjunction with existing and planned interties, could enhance seasonal exchanges between the Pacific Northwest and the noncoastal Southwest. Reevaluation of Phase III, the Mead-Northwest Intertie, is presently being undertaken, taking into consideration the availability of surplus energy from the Federal hydrosystem in the Pacific Northwest, and the possibility of diversity exchange arrangements between entities of the two regions.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 3
WESTERN AREA POWER ADMINISTRATION

Pacific Northwest-Pacific Southwest Intertie (continued)

Public Law 98-360 authorized the Secretary of Energy to construct or participate in the construction of the California-Oregon Transmission Project. This third 500-kV AC line between the Pacific Northwest and California will provide a cost-effective means of increasing intertie reliability. It will also allow greater transfer of low-cost surplus generation from the Northwest to displace more expensive nonrenewable energy in California. Thus, there will be a reduction of power costs to consumers in both regions, and a means provided of enhancing exchanges of surplus firm energy and economy energy among the utilities of the West.

A. Planned Activities

Activity	Construction		FY 1987
	Start	Stop	Estimate
Transmission Lines and Terminal Facilities	Continuing		$4,842,000

- Western, as a joint participant with the Salt River Project and the Southern California Public Power Authority and others, will continue planning studies, preliminary design activity, and land acquisition for the Mead-Phoenix DC Transmission Line (Nevada-Arizona). Western will continue its participation in planning studies and initial land and rights activities on the Mead-Adelanto DC Intertie (Nevada) and the Mead-Northwest Intertie. Western, neighboring utilities, and preference customers will also continue studying the feasibility of constructing a third AC transmission line and upgrading existing 230-kV transmission lines between Oregon and central California (California-Oregon Transmission Project) so that excess power in the Northwest can be marketed in northern and central California.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 4
WESTERN AREA POWER ADMINISTRATION

Pacific Northwest-Pacific Southwest Start Intertie (continued)	Construction		FY 1987
	Start	Stop	Estimate
Other	Continuing		750,000
- Construction will be completed on a building addition to the Mead O&M Complex in Nevada to provide additional facilities required for engineering activities associated with the Hoover Consolidation, the Mead-Adelanto DC Intertie, the Mead-Phoenix DC Intertie, and the Mead-Northwest Intertie.			
	Total		$5,592,000

B. Management and Contracting

- Planning and land acquisition activities will be performed by Western staff and outside contractors.

C. Prior Year Achievement

- Planning studies continued for the interties between the Pacific Northwest and Pacific Southwest.

D. Current Year Planned Achievements

- Western will continue planning activities in coordination with other participants in the various intertie projects.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET
WESTERN AREA POWER ADMINISTRATION
(Dollars in thousands)

Pick-Sloan Missouri Basin Power System

	Estimated Total	Cumulative Prior Years	FY 1986 Estimate		FY 1987 Estimate		Remaining Balance
	obs	obs	obs	BO	obs	BO	obs
Operating Expenses (DOE): Design and Construction	$611,330	$230,473	$ 52,906	$ 56,344	$ 45,969	$ 37,707	$281,982
Total DOE obs/BO	$611,330	$230,473	$ 52,906	$ 56,344	$ 45,969	$ 37,707	$281,982
Non-DOE obs/BO Design and Construction	$ 51,352	$ 24,474	$ 10,755	$ 9,876	$ 3,314	$ 4,430	$ 12,809
Total Obligations/Outlays	$662,682	$254,947	$ 63,661	$ 66,220	$ 49,283	$ 42,137	$294,791
Method of Financing:							
Appropriations Available and Required			$ 46,938		$ 45,259		$281,982
Application of Prior Year Funds			$ 5,971		$ 710		$ ---
Non-Federal Advances			$ 10,755		$ 3,314		$ 12,809

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 2
WESTERN AREA POWER ADMINISTRATION

Pick-Sloan Missouri Basin Power System (continued)

Description, Objective and Justification

The transmission facilities of the Pick-Sloan Missouri Basin Program interconnect Federal hydroelectric powerplants in Western's operational area and deliver power for irrigation pumping and sales to municipalities, cooperatives, private utilities, and State and Federal customers. This major power marketing system is operated by two Western Area Offices: the Loveland Area Office for portions of this program in Wyoming, Colorado, Kansas, and Nebraska; and the Billings Area Office for portions within North Dakota, South Dakota, Iowa, Minnesota, Missouri, Montana, and Nebraska. Western will continue to construct new facilities and upgrade existing transmission facilities to increase system dependability and to assure reliable electric service for Western's customers.

A. Planned Activities

Activity	Construction		FY 1987
	Start	Stop	Estimate
Archer-Stegall 115-kV Transmission Line	3rd Qtr 1986	4th Qtr 1987	$ 620,000
- Western will complete construction on the Archer-Stegall 115-kV Transmission Line in southeastern Wyoming and western Nebraska. The total estimated cost for constructing this line is $10,549,000.			
Casper-Spence (formerly Alcova)-Thermopolis 230-kV Transmission Line and associated facilities	3rd Qtr 1985	1st Qtr 1988	873,000
- Construction will continue on the $31,348,000 Casper-Spence-Thermopolis 230-kV Transmission Line and associated facilities located in Wyoming.			

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 3
WESTERN AREA POWER ADMINISTRATION

Pick-Sloan Missouri Basin Power System (continued)

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Casper-Spence-Thermopolis 230-kV Transmission Line and associated facilities (continued) A construction contract was awarded in FY 1985 for the Spence-Thermopolis portion of the line for $11,248,031.	1st Qtr 1984	4th Qtr 1987	1,836,000
Billings Microwave System - Work will be completed on the Billings Microwave System. Western's total estimated cost for the Billings Microwave System is $11,887,000.	4th Qtr 1987	1st Qtr 1989	8,550,000
Conrad-Shelby 230-kV Transmission Line - Western plans to construct the new Conrad-Shelby 230-kV Transmission Line in Montana. This line will be approximately 30 miles in length, originating at the newly constructed Conrad 230/115-kV Substation, proceeding generally northward to a new 230/115-kV substation to be located near Shelby and connecting to the existing 115/69-kV transmission system. Presently, the electrical needs of Western customers in the Shelby/Cut Bank area of north-central Montana are served primarily by means of a single 115-kV transmission loop			

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 4
WESTERN AREA POWER ADMINISTRATION

Pick-Sloan Missouri Basin Power System (continued)

A. Planned Activities

Activity	Construction		FY 1987
	Start	Stop	Estimate

Conrad-Shelby 230-kV Transmission Line (continued)

running from Conrad northwest to Cut Bank and then east through Shelby to Havre. Power system studies indicate an urgent need for improvements to the 115-kV loop. Under present and projected system heavy load conditions, the 115-kV loop cannot sustain the outage of either the Conrad-Cut Bank or Havre-Rudyard transmission line sections without experiencing low-voltage, overload, and loss-of-load conditions of the remaining portions of the loop.

An underlying 69-kV transmission system, which originates at Havre and continues west to Chester and south to its terminus at Fort Benton, supplies electrical service to a portion of the area load. System studies have also indicated a weakness in the 69-kV system. Opening this long loop at certain critical points results in low-voltage in the Chester area.

In the future, these conditions will exist not only when transmission system outages are experienced, but also when the system is fully operational. Construction of the Conrad-Shelby 230-kV Transmission Line and Terminal Facilities will correct the present problems in the Shelby/Cut Bank area, and those anticipated in the future, by providing additional capacity and relieving the low-voltage and outage conditions.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 5
WESTERN AREA POWER ADMINISTRATION

Pick-Sloan Missouri Basin Power System (continued)

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Conrad-Shelby 230-kV Transmission Line (continued) In addition, this line will insure continued reliable service to customers in the area and will increase Western's transmission system reliability. The total estimated cost for constructing this line is $10.7 million.			
Casper-Dave Johnston 230-kV Transmission Line - Construction will be initiated on the Casper-Dave Johnston 230-kV Transmission Line and terminal facilities in central Wyoming. Western will construct approximately 15 miles of single steel pole, double circuit 230-kV line and 19 miles of single steel pole, single circuit 230-kV line from Western's Casper Substation to Pacific Power and Light Company's Dave Johnston powerplant. Portions of the existing lines between Casper Substation and Dave Johnston Substation will be removed and the new line will be built along the existing right-of-way, terminating at or near Dave Johnston powerplant. The existing 115-kV wood pole transmission lines between Casper and Dave Johnston powerplant were constructed in the 1950's and are approaching the end of their expected service. Since these lines are essential elements in the area's present and future bulk power system, they will be	4th Qtr 1987	3rd Qtr 1989	7,230,000

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 6
WESTERN AREA POWER ADMINISTRATION

Pick-Sloan Missouri Basin Power System (continued)

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Casper-Dave Johnston 230-kV Transmission Line (continued)			

in need of extensive rehabilitation or rebuilding within the next few years. Joint system studies between Western and the Rocky Mountain Transmission Study Group have identified a need for additional transmission capacity between Dave Johnston powerplant and the Thermopolis area in Wyoming. In addition, this area was identified by the North American Electric Reliability Council as not meeting required reliability criteria. The existing lines are subject to frequent loss of service due to their deteriorating condition and limited transfer capability.

The proposed Casper-Dave Johnston 230-kV Transmission Line will provide the additional capacity needed between Casper and Dan Johnston to make the most beneficial use of the Casper-Spence-Thermopolis 230-kV Transmission Line now under construction. In addition, the new line will be a major link in the overall plan to upgrade the transfer capability in Western's system between Colorado and Montana. Construction of the new Casper-Dave Johnston line will also provide voltage support to the underlying 115-kV and 69-kV systems, reduce local transmission losses and increase system reliability, both locally and in the overall system by strengthening one of the weaker links

Pick-Sloan Missouri Basin Power System (continued)

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Casper-Dave Johnston 230-kV Transmission Line (continued)			
AC-DC-AC Ties	4th Qtr 1984	2nd Qtr 1987	710,000

Casper-Dave Johnston 230-kV Transmission Line (continued)

in the area's bulk transmission system. The total estimated cost for constructing this line and the associated terminal facilities is $8,979,000.

AC-DC-AC Ties

- Construction was completed on the Miles City Converter Station and related facilities in FY 1985.

A construction contract, in the amount of $20,775,000, was awarded in August 1984 for the acquisition and installation of a 200-MW AC-DC-AC tie at Sidney, Nebraska. Prior year balances associated with the FY 1983 supplemental appropriation have been carried forward to FY 1985, FY 1986, and FY 1987 to fund the construction of the related AC connecting facilities, general expenses, construction supervision, and other minor contract costs. The FY 1987 request provides for completing construction activities. The total estimated cost of the Sidney DC Tie additions, including the related AC connecting facilities, is $25,890,715.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 8
WESTERN AREA POWER ADMINISTRATION

Pick-Sloan Missouri Basin Power System (continued)

A. Planned Activities

Activity	Construction		FY 1987
	Start	Stop	Estimate
Casper-Waltman 115-kV Transmission Line	4th Qtr 1987	3rd Qtr 1989	5,555,000

- Western proposes to remove the existing 46.6 mile Casper-Waltman 69-kV Transmission Line in central Wyoming and construct a new 49 mile 69/115-kV line. The new Casper-Waltman 69/115-kV Transmission Line will be primarily located along the existing right-of-way with approximately 12 miles to be constructed on new right-of-way to eliminate road crossings and numerous encroachments near Casper, Wyoming.

The existing 69-kV line, which is an essential element in Western's central Wyoming transmission system, was constructed in 1949 using wood poles and small conductor. The poles and crossarms of the line are in the advanced stages of shell rot. In addition, the line was constructed without an overhead ground wire making it subject to numerous outages due to the lack of direct-strike lightening protection. The line is also subject to excessive power losses due to the inadequate size of the conductor.

This line serves four taps which in turn deliver electric power to lower voltage distribution systems that provide electric service to consumers in communities, farms and ranches along the path of the line.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 9
WESTERN AREA POWER ADMINISTRATION

Pick-Sloan Missouri Basin Power System (continued)

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Casper-Waltman 115-kV Transmission Line (continued)			
Replacing the existing, deteriorated 69-kV line with the new Casper-Waltman 69/115-kV Transmission Line will provide more reliable service to customers in the area by reducing the number of outages caused by lightning strikes and reducing structural failures caused by the advanced deterioration of the poles and crossarms. By rebuilding the line with a larger conductor, and at a higher voltage, Western will reduce power losses and provide additional transmission capacity in the area. In addition, by upgrading this line Western will complete another phase of the overall plan to improve transfer capability and system reliability in central Wyoming. The total estimated cost for constructing the Casper-Waltman 69/115-kV Transmission Line and terminal facilities is $6.9 million.			
Blue River-Gore Pass 230/345-kV Transmission Line and Terminal Facilities	2nd Qtr 1986	4th Qtr 1987	601,000
- The Blue River-Gore Pass 230/345-kV Transmission Line, which is a part of the Hayden-Gore Pass-Blue River project in northcentral Colorado, will be completed in FY 1987. The total estimated Federal cost for constructing this portion of the line is $6,439,000.			

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 10
WESTERN AREA POWER ADMINISTRATION

Pick-Sloan Missouri Basin Power System (continued)

A. Planned Activities

Activity	Construction		FY 1987
	Start	Stop	Estimate
Transmission Lines and Terminal Facilities	Continuing		4,929,000

- Work will be completed on construction of the Devils Lake Area transmission facilities in North Dakota and the Watertown-Brookings No. 2 115-kV Transmission Line (South Dakota). Western will perform engineering studies and other preconstruction activities for Charlie Creek-Dickinson 230-kV Transmission Line (North Dakota), Blue River-Summit 115-kV Transmission Line (Colorado), Kremmling Tap-Windy Gap 138-kV Transmission Line (Colorado), Alcova-Seminoe-Archer 115-kV Transmission Line (Wyoming), Flatiron-Weld-Greeley-Beaver Creek 115-kV Transmission Line (Colorado), Lovell-Heart Mountain-Big George 115-kV Transmission Line (Wyoming), Flatiron-Estes 115-kV Transmission Line (Colorado), Buffalo Bill 69-kV Transmission Line (Wyoming), Lovell-Thermopolis 345-kV Transmission Line (Wyoming), Gering-Bayard 34.5-kV Transmission Line (Nebraska), Lovell (Wyoming)-Yellowtail (Montana) 230-kV Transmission Line, Granby-Windy Gap 138-kV Transmission Line (Colorado), Flatiron-Terry 115/230-kV Transmission Line (Colorado), Big George-Carter Mountain-Thermopolis 115-kV Transmission Line (Wyoming), and transmission improvements and modifications in western Kansas.

POWER SYSTEM DATA SHEET - 11
WESTERN AREA POWER ADMINISTRATION

Pick-Sloan Missouri Basin Power System (continued)

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Substations	Continuing		11,237,000

- Western will complete construction activities on Granite Falls Substation (Minnesota), Fargo Substation, Stage 11 (North Dakota), Casper Substation (Wyoming), and Maurine Substation (South Dakota). Western will continue to purchase and install various systemwide additions such as autotransformers, power circuit breakers, sectionalizing switches, and protective relays for miscellaneous facilities. Construction work will be continued on Boysen Switchyard (Wyoming) and Fort Morgan Substation (Colorado) additions. Construction activities will be performed for Bismarck Substation (North Dakota), Sioux City Substation (Iowa), Morris Substation (Minnesota), Dawson County Substation (Montana), Flandreau Substation (South Dakota), Wolf Point Substation (Montana), and Cheyenne Substation (Wyoming). Preconstruction activities will be performed on various facilities including: Bridgeport Substation (Nebraska), Seminoe and Kortes Switchyards (Wyoming), Willwood Substation (Wyoming), Hoyt Substation (Colorado), and Wiggins Substation (Colorado).

POWER SYSTEM DATA SHEET - 12
WESTERN AREA POWER ADMINISTRATION

Pick-Sloan Missouri Basin Power System (continued)

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Other	Continuing		3,828,000

- Western will continue to purchase and install miscellaneous system additions, such as microwave equipment, telecommunications, Computer Aided Engineering equipment, and supervisory control equipment for substantially completed facilities. Construction activities will continue on the maintenance building additions to the Power Marketing Operations Complex (PMOC) in Loveland, Colorado, and the expansion of the PMOC in Loveland, Colorado to house crews performing functions related to communications, relay and metering, and construction materials testing.

  Construction work will be completed on a facility in Huron, South Dakota, for testing construction materials. This facility will also include a vehicle maintenance shop for the Huron District Office. Construction will be underway on the Casper (Wyoming) and Gering (Nebraska) Service Centers to provide shop buildings and warehousing facilities, and paving the warehouse yard at the Power Marketing Operations Complex in Loveland, Colorado. Pre-construction activities will be performed for additions to the service center in Brush, Colorado.

Total $45,969,000

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POWER SYSTEM DATA SHEET - 13
WESTERN AREA POWER ADMINISTRATION

Pick-Sloan Missouri Basin Power System (continued)

B. Management and Contracting

- Design and other preconstruction work will be performed by Western staff and outside contractors as required. Construction will be performed by contractor effort.

C. Prior Year Achievements

- Completed construction of Miles City Converter Station (Montana), Miles City Substation No. 3 (Montana), Thermopolis Substation Stage 05 (Wyoming), Fargo Substation Stage 10 (North Dakota), Watertown Operations Office building expansion (South Dakota), Valley City Substation (North Dakota), Frenchman Creek-Wauneta 115-kV Transmission Line (Colorado), Flatiron-Big Thompson Transmission Line (Colorado), Frenchman Creek Substation (Colorado), Huron Substation, Stage 13 (South Dakota), Sioux Falls Substation Stage 10 (South Dakota), Granite Falls Substation, Stage 11 (Minnesota), and Loveland Area Microwave Communication Towers (Colorado).

D. Current Year Planned Achievements

- Complete construction of White 345-kV Substation (South Dakota), Sidney AC tie facilities (Nebraska), Great Falls-Conrad 230-kV Transmission Line and Terminal Facilities (Montana), North Golden Lake Crossing (North Dakota), Fleming, Haxton and Sterling Substations (Colorado), Rolla Substation (North Dakota), Energy Control System in the Billings, Montana area, Montana Microwave Communication Towers, Phase I, the western South Dakota Communication System, Phase I, and the western North Dakota Communication System, Phase III.

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POWER SYSTEM DATA SHEET
WESTERN AREA POWER ADMINISTRATION
(Dollars in thousands)

Colorado River Storage Power System

	Estimated Total	Cumulative Prior Years	FY 1986 Estimate		FY 1987 Estimate		Remaining Balance
	obs	obs	obs	BO	obs	BO	obs
Operating Expenses (DOE):							
Design and Construction	$295,149	$107,166	$ 12,984	$ 49,474	$ 21,584	$ 25,551	$153,415
Total DOE obs/BO	$295,149	$107,166	$ 12,984	$ 49,474	$ 21,584	$ 25,551	$153,415
Non-DOE obs/BO							
Design and Construction	$153,202	$ 5,412	$ 1,020	$ 1,679	$ 4,730	$ 4,173	$142,040
Total Obligations/Outlays	$448,351	$112,578	$ 14,004	$ 51,153	$ 26,314	$ 29,724	$295,455
Method of Financing:							
Appropriations Available and Required			$ 11,331		$ 21,584		$153,415
Application of Prior Year Funds			$ 1,653		$ ---		$ ---
Non-Federal Advances			$ 1,020		$ 4,730		$142,040

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 2
WESTERN AREA POWER ADMINISTRATION

Colorado River Storage Power System (continued)

Description, Objective, and Justification

The transmission facilities of the Colorado River Storage Project include transmission lines, substations, switchyards, and other facilities to provide for the interconnection of storage project powerplants with each other, participating project power facilities, and other Federal powerplants. Western's transmission facilities also interconnect with the electrical facilities of the major investor-owned power companies in the Colorado River Basin area so that the greatest practicable amount of firm power and energy can be produced and delivered to the load centers for sale.

The objective of this project is to provide Western's customers with reliable electric power by increasing the transmission system's dependability, reducing inadvertant flows, and decreasing system line losses.

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Western Colorado 345-kV Transmission System	1983	1st Otr 1988	$ 6,360,000

- Construction will be continued in FY 1987 for the Western Colorado 345-kV additions. The total estimated cost is $127,821,739 of which Western's share is $72,644,629. This activity, which is financed jointly by Western and non-Federal entities, provides for the development of new and uprated transmission facilities in western Colorado and northern New Mexico, and includes transmission line construction and upgrade, substation modifications, and phase-shifting transformers.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 3
WESTERN AREA POWER ADMINISTRATION

Colorado River Storage Power System (continued)

A. Planned Activities

Activity	Construction		FY 1987
	Start	Stop	Estimate
Glen Canyon-Flagstaff-Pinnacle Peak Transmission System	4th Qtr 1985	1st Qtr 1988	7,739,000

- Western is continuing the purchase and installation of equipment additions at Glen Canyon Switchyard, Flagstaff Substation, and Pinnacle Peak Substation in Arizona to increase the operating limit of the Glen Canyon-Flagstaff-Pinnacle Peak 345-kV Transmission Lines. The equipment additions consist of a 600 MVA, 230/345-kV transformer at Pinnacle Peak, a 300 MVA, 230/345-kV transformer at Glen Canyon, the replacement of the existing capacitor banks at Flagstaff and Pinnacle Peak with banks of increased capacity, and the addition of a 300 MVA 230-kV phase-shifting transformer at Glen Canyon.

  These additions will increase the power transfer capability in the Four Corners-Glen Canyon-Pinnacle Peak area of Arizona, reduce the inadvertant flows, and will increase system stability and reliability in that area. The increased transfer capability will be critical when the Rifle-Shiprock-San Juan-Four Corners 345-kV Transmission Line is completed. The total estimated cost of the additions is $21,680,000.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER SYSTEM DATA SHEET - 4
WESTERN AREA POWER ADMINISTRATION

Colorado River Storage Power System (continued)

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Transmission Lines and Terminal Facilities	Continuing		5,448,000
- Construction work on the Paradox Valley Transmission Line (Colorado) and the Hayden-Gore Pass portion of the Hayden-Gore Pass-Blue River 345-kV Transmission Line will continue. This portion of the line will be constructed by Tri-State Generation and Transmission Association, Inc., with the Federal share being funded by the Colorado River Storage Project construction program. Preconstruction activities will be performed on Animas-LaPlata Transmission Line (Colorado), Craig (Colorado)-Bonanza (Utah) 345-kV Transmission Line, Dallas Creek Transmission Line (Colorado), Four Corners (New Mexico)-Shiprock (New Mexico)-Glen Canyon (Arizona) 500-kV Transmission Line, and Glen Canyon-Navajo 500-kV Transmission Line (Arizona).			
Substations	Continuing		1,052,000
- Western will continue the purchase and installation of minor equipment additions to existing facilities and will begin preconstruction activities on the addition of a storage building for Ault Substation (Colorado) and Weld Substation (Colorado). Construction will be completed on Glen Canyon Switchyard, Stage 03 (Arizona).			

Colorado River Storage Power System (continued)

A. Planned Activities

Activity	Construction Start	Construction Stop	FY 1987 Estimate
Other	Continuing		985,000

- Western will continue the purchase and installation of minor equipment additions to existing facilities.

	Total	$21,584,000

B. Management and Contracting

- Design and other preconstruction work will be performed by Western staff and outside contractors as required. Construction will be performed by contractor effort.

C. Prior Year Achievements

- Completed construction on Shiprock Substation, Stage 03 (New Mexico), Flaming Gorge Switchyard, Stage 03 (Colorado), and Great Cut Substation (Colorado).

D. Current Year Planned Achievements

- Complete construction of Supervisory Control and Data Acquisition modifications to the Power Operations Center in Montrose, Colorado; energy efficiency modifications to various substations in Colorado, New Mexico, and Utah; Cahone Substation (Colorado); Fairview Substation (Colorado); and Salt Lake City Area Microwave Communication Towers (Colorado).

Operation and Maintenance - General Statement

Summarized Financial Data:

Fiscal Year 1986	
Appropriation	$ 72,977,000
(Current Authority)	(72,087,000)
(Permanent Authority)	(890,000)
Application of Prior Year Balances	1,500,000
Subtotal	$ 74,477,000
Adjustment for Actual Unobligated Balances	4,401,261
Deferred (Treasury-Postal Reduction Act, FY 1986)	-72,000
Subtotal (direct program)	$ 78,806,261
Non-Federal Advances for Cosponsored Work	3,472,000
Total FY 1986	$ 82,278,261
Fiscal Year 1987	
Estimate of Appropriation	$ 85,905,000
(Current Authority)	(82,442,000)
(Permanent Authority)	(3,463,000)
Application of Prior Year Balances	267,000
Subtotal	86,172,000
Non-Federal Advances for Cosponsored Work	3,333,000
Total FY 1987	$ 89,505,000

The goals of Western's operation and maintenance (O&M) activity are designed to fulfill the objectives of the National Energy Policy of fostering an adequate supply of energy at a reasonable cost. Western's O&M activity is committed to providing reliable service and economical energy in a safe, cost-effective manner by maintaining continuity of service through a well maintained power system, maximizing the revenues gained from any surplus energy, and rapidly restoring service following any system disturbances.

Western performs Federal electric power marketing and transmission functions in 15 Central and Western States encompassing a 1.3 million-square-mile area, about 40 percent of the total area of the contiguous United States. In terms of the 8,758 MW of installed generating capacity it sells, Western is the third largest utility operation in the interconnected power system in the 15-State area. An additional 107 MW of installed generating capacity are scheduled to be added during FY 1986 and FY 1987, resulting from additional powerplants coming on line and rewinding of existing generating units.

Western sells power to customers consisting of cooperatives, municipalities, public utility districts, investor-owned utilities, Federal and State agencies, and irrigation districts. The wholesale power customers, in turn, provide service to millions of retail consumers.

Western is responsible for the operation and maintenance of more than 16,000 miles (13,000 miles under the appropriation-funded activity) of high-voltage transmission lines, over 200 substations, and for construction, rehabilitation, and O&M of additional Federal transmission facilities that may be authorized in the future. Western ranks among the top utility operations in the country in terms of miles of high voltage transmission lines and points of interconnection with other utilities. Roughly 80 percent of Western's O&M work is financed through annual budget authority in the form of appropriations. The balance of Western's power management and O&M expenses is financed with power revenues through a revolving fund--the Colorado River Basins Power Marketing Fund--which is described in later sections.

Electric power marketed by Western is generated at 49 hydropower plants which are operated by the Bureau of Reclamation (BuRec), the Corps of Engineers (COE), and the International Boundary and Water Commission (IBWC). One new powerplant (McPhee Powerplant in Colorado) is scheduled to be placed in service during FY 1987. Additionally, Western markets the United States entitlement from the Navajo coal-fired powerplant near Page, Arizona, and power generated at the Medicine Bow wind farm in Wyoming.

Western's power marketing function evolved over a period of years as BuRec, COE, and IBWC multipurpose water development projects were authorized. Each project is administered as an independent entity in terms of authorizing legislation, repaying the reimbursable portion of project investment, and in establishing power rates.

Western's power marketing revenues for each project must be sufficient to meet the cost of O&M of associated transmission and generation facilities, including purchase power and replacement cost, and to repay with interest the investment in Western's power facilities along with those of the associated Federal generating facilities. In addition, power revenues must help repay the investment in associated Federal irrigation facilities that is beyond the water users' ability to repay.

Accomplishments

° Energy sales data for FY 1985 related to this O&M activity were 32.235 billion kWh, resulting in gross power revenues of $399,405,000.

° Since its creation in 1977, Western has developed comprehensive marketing plans for projects where existing contracts for sale of Federal power expire. Each plan receives extensive public exposure. The plans help assure that Western carries out its role of marketing power in the public interest consistent with congressional intent.

° Western has implemented electric rate adjustments for all major projects in order to repay the Federal investment in a timely manner. Each rate adjustment also receives extensive public exposure and comment prior to approval mainly by the Federal Energy Regulatory Commission (FERC).

° Western maintains about 13,000 miles of transmission lines under this activity and over 200 substations and appurtenant facilities annually over a 15-State service area with infrequent outages. Only one power system disturbance reportable to DOE occurred in FY 1983, and none in FY 1984 and

FY 1985. The lack of reportable disturbances (i.e., loss of service to a significant number of customers) is a direct measure of Western's success in maintaining and operating a reliable power system.

- In FY 1985, Western relocated the Electric Power Training Center (EPTC) to facilities closer to its Headquarters Office. The relocation was required to accommodate new and upgraded equipment and for implementation of new training programs. The EPTC trains power system operators from the Federal and private sectors through lectures and an array of simulators for hands-on experience.

- Fiscal Year 1986 marked the first year of funding the Boulder Canyon Project under permanent budget authority granted in the Hoover Power Plant Act of 1984. Power receipts are available without further appropriation, but are subject to congressional limitation. Other power system projects under this appropriation are funded with current, rather than permanent, budget authority.

Objectives

- Estimated power sales for FY 1986 for this activity are 28.577 billion kWh and for the period FY 1987-1991 are 137.683 billion kWh. Projected power revenues for FY 1986 are $455,241,000 and for the FY 1987-1991 period are $2,391,514,000. Western will continue to market power at the lowest possible rates consistent with sound business principles and in accordance with applicable legislative and administrative requirements.

- During FY 1985, Western continued development of post-1989 marketing plans for the Salt Lake City Area and the Loveland Area which include the Colorado River Storage Project, Rio Grande Project, Collbran Project, Provo River Project, Pick-Sloan Missouri Basin Program-Western Division, and the Fryingpan-Arkansas Project. The new marketing plans and allocations are expected to be finalized in FY 1986.

- Rate studies are expected to be underway during the FY 1986 and FY 1987 period for the Boulder Canyon Project, Central Valley Project, Collbran Project, Colorado River Storage Project, Fryingpan-Arkansas Project, Pacific Northwest-Pacific Southwest AC Intertie, Parker-Davis Project, Pick-Sloan Missouri Basin Program, Rio Grande Project, Washoe Project, and for wheeling rates for the Central Valley Project and the Colorado River Storage Project.

- Western will use annual appropriations to continue to operate and maintain the high-voltage transmission system in accordance with electric utility industry standards for safety and effectiveness. Operational efficiencies will be enhanced with automated supervisory control equipment and upgraded telecommunications systems. From FY 1985 to FY 1987, Western will add eight new substations to its system. In addition, the new 200-MW AC-DC-AC tie will be in service at Sidney, Nebraska, representing completion of a major facility to interconnect power resources primarily east and west of the Rocky Mountains. An additional 372 circuit miles of transmission lines will be added to Western's system in FY 1986 and FY 1987.

- Wood-pole inspection and treatment activities will continue in many parts of Western's service area. Each pole is tested at selected time intervals to determine its condition. When it is cost effective, poles are treated as necessary to extend their life expectancy, thereby delaying the need for expensive replacements.

- Management improvements will continue to be implemented in order to increase efficiency of operations. For instance, in FY 1986, Western will begin to review operation and maintenance activities for productivity improvement. The productivity reviews will be undertaken along with the review of commercial activities for private sector performance to help maximize Western's efficiency through increased productivity in mission-critical O&M functions, such as power dispatching.

- Western will also fully implement an automated Financial Management System in FY 1987. The system will eventually be used by the other power marketing administrations (except Bonneville) and will become one of three primary DOE financial systems.

- Conservation and Renewable Energy (C&RE) activities will continue to provide support to Western's customers and further national energy goals.

FY 1987 Budget Request

Following is a table which compares the FY 1986 and FY 1987 activity by major O&M categories:

Category	FY 1986 Activity	Change	FY 1987 Activity
		(Dollars in thousands)	
1. Regular O&M	$ 64,538	$ + 3,953	$ 68,491
2. Replacement and addition of sub-station equipment, other equipment, and units of property	12,658	+ 3,466	16,124
3. Conservation & Renewable Energy	1,610	- 53	1,557
TOTAL O&M	$ 78,806	$ + 7,366	$ 86,172

The FY 1986 activity includes the use of about $5.9 million of available unobligated balances from prior years. The FY 1987 activity includes the use of deferred funds ($267,000) plus new budget authority ($85,905,000). A discussion of prior year accomplishments and budget justifications follows for each of the above categories.

1. Regular O&M

Western's request of $68,491,000 includes salaries, wages, and other expenses required to operate and maintain approximately 13,000 miles of transmission lines; over 200 substations and switchyards; and communications and control equipment. This amount includes expenses for system operations such as power marketing, dispatching, power billing, and collecting, and represents 79 percent of the FY 1987 request for O&M activities.

The increase of $3,953,000 between FY 1986 and FY 1987 is primarily due to the following:

- A major portion of the increase is attributable to the continuing shift of Western's administrative and general expenses (A&GE) from the construction activity to the O&M activity. For the past few years, Western has been implementing a policy of strict direct charging to activities whenever possible, coupled with a revised method of allocating A&GE in a more businesslike manner. The results of the policy have produced a greater share of A&GE allocated to the O&M activity. The revised method of allocation of A&GE is centered around the industry concept that administrative expenses are allocated on the basis of where employees' labor hours are charged. Western's analysis indicates that nearly 80 percent of labor hours are being directly charged to O&M activities, including revolving fund work. Previously, a greater share of A&GE was assigned to construction activities through use of other allocation methods. Western's method has received acceptance from the Inspector General and is consistent with methods used by Western's customers and other electric utilities in the United States. Therefore, Western's budget request in FY 1987 reflects this continuing shift of administrative expenses to the O&M activity.

- Price changes for goods and services are reflected in the FY 1987 estimate at a 4.3 percent increase.

- There are also higher costs of maintaining a power system at an acceptable industry-wide level of reliability and safety. Western's transmission systems are operated as an integral part of an overall interconnected transmission system. This requires increasingly closer coordination with all interconnected utilities and compliance with the operating criteria set forth by the North American Electric Reliability Council and its two member councils in which Western operates--the Mid-Continent Area Power Pool and the Western Systems Coordinating Council.

Deliverables as a result of power marketing activities during the period FY 1985 to FY 1987 are shown in the tables on the following page.

POWER SALES (in gigawatt hours) [1]

Project	Actual FY 1985	Est. FY 1986	Est. FY 1987
Boulder Canyon Project	8,828	5,000	5,000
Central Valley Project	8,852	8,407	8,419
Collbran Project	60	55	55
Falcon-Amistad Projects	227	291	291
Fryingpan-Arkansas Project [2]	0	0	0
Parker-Davis Project	1,765	1,324	1,207
Pick-Sloan Missouri Basin Program	12,385	13,380	12,784
Pacific Northwest-Pacific Southwest AC Intertie [2]	0	0	0
Rio Grande Project	118	120	120
TOTAL	32,235	28,577	27,876

POWER REVENUES (dollars in thousands) [3]

Project	Actual FY 1985	Est. FY 1986	Est. FY 1987
Boulder Canyon Project	$ 31,031	$ 23,593	$ 35,276
Central Valley Project	187,723	244,602	271,314
Collbran Project	1,179	1,212	1,258
Falcon-Amistad Projects	3,579	3,700	3,800
Fryingpan-Arkansas Project [2]	909	7,681	7,690
Parker-Davis Project	36,183	20,882	21,533
Pick-Sloan Missouri Basin Program	133,957	147,737	142,537
Pacific Northwest-Pacific Southwest AC Intertie [2]	2,164	2,172	2,172
Rio Grande Project	2,680	3,662	3,662
TOTAL	$399,405	$455,241	$489,242

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[1] One gigawatthour equals one million kilowatthours.

[2] Fryingpan-Arkansas Project and Pacific Northwest-Pacific Southwest AC Intertie show no power sales, but reflect revenues. The Fryingpan-Arkansas Project sells peaking capacity generated at Mt. Elbert pumped-storage powerplant to repay the investment of the project. The estimated power revenues are for sales of peaking capacity, and not gigawatthours of energy sales. For the Intertie project, there is no associated generation, thus no sales of gigawatthours of electric service are projected. The Intertie is for transmission of electricity only, and power revenues are from the transmission of energy produced by others.

[3] Revenue amounts reflect current repayment practices. Depending upon legislative proposals for modified debt repayment criteria, total revenues will not change significantly, although, individual project revenues may increase, decrease, or remain the same.

Generally, the rise in revenue over the 3-year period is attributed to additional revenues from scheduled power rate increases, particularly for the Central Valley Project. Specific details of each project follow:

- The estimates for energy sales of the Boulder Canyon Project from FY 1985 to FY 1986 decrease because of the methodology utilized for estimating energy available for marketing. According to the BuRec's projected hydrological studies, the energy available for marketing after FY 1985 will drop, because the water available for release will be significantly less for the subsequent time frame. Furthermore, after the FY 1987 time frame, all energy estimates for the Boulder Canyon Project will be based on allocations defined in the Hoover Power Plant Act of 1984. Because there were significantly higher amounts of energy available for sale in FY 1985, the associated revenues from the sale of this energy will also be significantly higher for the year. Although the initial repayment period for the Boulder Canyon Project will be completed in FY 1987, there will be additional cost incurred by the Bureau of Reclamation to train a staff to operate the powerplant, which is currently operated by the Southern California Edison Company and the City of Los Angeles. Costs of Hoover consolidation and upgrading work contribute to the increase in FY 1987 revenues. In addition, flood control costs will be recovered after 1987, along with costs for uprating of capacity. Also recovered will be the costs for the construction of air slots at Hoover Dam spillways to correct water turbulence problems. The cost of these items are factored into the revenue projections for the FY 1988 to FY 1991 time period which are shown on a table at the end of this submission.

- The Central Valley Project (CVP) energy sales for the FY 1985 to FY 1987 time frame are relatively constant. The power revenues from FY 1985 to FY 1987 are increasing steadily because of a series of approved rate increases. There is a small decline in power revenues for FY 1988 to FY 1991. The gradual decline in revenues is associated with sale of a lower quantity of surplus power to Pacific Gas and Electric Company energy Bank Account No. 2. The energy sales to Bank Account No. 2 are decreasing due to the increasing energy requirements of the CVP customers.

- The Collbran Project energy sales from FY 1985 to FY 1991 remain fairly constant. The power revenues from FY 1985 to FY 1986 increased because of an anticipated rate increase.

- Energy sales of the Falcon-Amistad Projects from FY 1985 to FY 1991 also remain fairly constant. The power revenues, however, are expected to increase due to recovery of higher operation and maintenance costs.

- Finalization of contracts in FY 1985 for marketing power from the Mt. Elbert pumped-storage powerplant on the Fryingpan-Arkansas Project creates a rapid rise in revenues during FY 1986 over FY 1985 revenues. Additional Fryingpan-Arkansas contracts are expected to be signed in FY 1986 which will produce additional revenues.

- Although the energy sales from FY 1986 to FY 1987 decline, the power revenues for the Parker-Davis Project increase for this same time frame. This increase in power revenues, without an associated increase in energy sales, can be attributed to an increase in the wheeling rate in FY 1987. The result will affect the power revenues but not the amount of energy sold to Western's customers.

- Energy sales and revenue estimates are fairly constant for the Pick-Sloan Missouri Basin Program, the Pacific Northwest-Pacific Southwest AC Intertie, and the Rio Grande Project. Variations for the Pick-Sloan and Rio Grande Projects are primarily a result of projected available resources estimated from hydrologic conditions on the river systems.

Power revenues after FY 1987 are projected to level out to about $476 million per year.

Western implements project rate actions in accordance with project repayment criteria and public participation procedures. Western's rate study under this activity are associated with the Boulder Canyon Project, Central Valley Project, Collbran Project, Falcon-Amistad Projects, Fryingpan-Arkansas Project, Parker-Davis Project, Pick-Sloan Missouri Basin Program, Pacific Northwest-Pacific Southwest AC Intertie, Rio Grande Project, Washoe Project, and special situations, such as short-term sales of excess energy during a period of high water releases. Other rate studies under the Revolving Fund, which follow this section, are associated with the Colorado River Storage Project and the Colorado River Basin Project (Navajo).

In FY 1985, general rate adjustments were approved by FERC and are in effect for the Rio Grande Project and the Pick-Sloan Missouri Basin Program. Also approved was an adjustment for the Central Valley Project-Third Party Transmission, or transmission of Federal power to Western's customers over a third entity's transmission system. Rate adjustments are made periodically pursuant to formula or set methodology for the Boulder Canyon Project, Falcon-Amistad Projects, and the Colorado River Basin Project (Navajo).

2. Replacements and Additions

Approximately $16 million, or 19 percent of the FY 1987 request is for replacement and addition of substation equipment, transmission line rehabilitation, mobile equipment, communication and control equipment, and for minor additions to keep the system operable. Most of the equipment acquisition is of a recurring nature due to the excessive age of existing equipment or the high cost of maintenance. The activity also provides for replacement of tools and work equipment in garages, warehouses, and for power system testing and repair. The increase in funding from the FY 1986 level to the FY 1987 level is primarily attributed to the Hoover consolidation work in southern Nevada. About $3 million is scheduled for obligation in FY 1987. Old switchyard facilities at Hoover Powerplant will be removed and consolidated at Mead Substation. Mead Substation will become the delivery point for Hoover energy. Consolidation of transmission facilities from Hoover generating units will allow for more efficient operation of these units and will increase the reliability of deliveries to the Hoover allottees.

3. Conservation and Renewable Energy

About $1.6 million, or 2 percent of the FY 1987 request, is earmarked for C&RE activities. Western's overall C&RE program, including activities under the Revolving Fund, is budgeted at $3 million in the FY 1986 appropriation and $3 million in the FY 1987 request. These funding levels are consistent with growing customer participation through contractual requirements and increased Western emphasis on C&RE technology development. The C&RE program is designed to encourage customer consumption efficiency improvements and management practices which ensure that the available supply of hydropower is used in an economically efficient and environmentally sound manner. Western supports this concept with its internal C&RE activities as well as its customer oriented efforts.

Since FY 1982, Western has seen a steady growth in C&RE technology development. Currently, substantial emphasis is being placed on direct customer technical assistance, including such activities as: cost-shared economic analyses, feasibility studies, and preliminary design work; and equipment loans for heat loss detection, wind data collection, load monitoring, and irrigation pump efficiency testing. The C&RE program also provides customers with technical support contacts throughout the United States with whom they may discuss site-specific C&RE problems and obtain direct design or implementation assistance; presents a wide range of C&RE workshops, seminars and conferences; and provides an engineering service to analyze and define C&RE potentials for site-specific resource development. In addition to these major C&RE program elements, Western also develops and provides a number of resource documents, briefs, bulletins, and audio-visual materials.

The C&RE technologies involve a very wide range of conservation oriented applications, generation and transmission improvements, as well as solar, wind, cogeneration, small-scale hydropower, geothermal, and biomass resources. The Hoover Power Plant Act of 1984 placed increased emphasis on the C&RE program by requiring the development and implementation by Western's customers of an energy conservation program. Western has amended its existing regulations to reflect the elements to be considered in the energy conservation programs of its customers and Western's criteria for evaluating and approving such programs.

Purchase Power and Wheeling - General Statement

Summarized Financial Data:

Fiscal Year 1986	
Appropriation	$ 46,700,000
Application of Prior Year Balances	25,800,000
Subtotal	$ 72,500,000
Adjustment for Actual Unobligated Balances	1,184,599
Proposed Deferral	-16,371,000
Subtotal (direct program)	$ 57,313,599
Purchase Power and Wheeling Costs Offset by Credits From Sale of Power and From Rents For Wheeling Non-Federal Power on Western's Transmission Lines	122,874,000
Total FY 1986	$180,187,599
Fiscal Year 1987	
Estimate of Appropriation	$ 76,719,000
Application of Prior Year Balances	36,971,000
Subtotal	$113,690,000
Purchase Power and Wheeling Costs Offset by Credits From Sale of Power and From Rents For Wheeling Non-Federal Power on Western's Transmission Lines	91,210,000
Total FY 1987	$204,900,000

Western's major purchase power and wheeling requirement is associated with the Central Valley Project (CVP) in California. Western also purchases power or pays wheeling charges in connection with the Pick-Sloan Missouri Basin Program (P-SMBP), the Parker-Davis Project, and the Fryingpan-Arkansas Project. Western also purchases power and pays wheeling charges for the Colorado River Storage Project under the revolving fund.

The current marketing program for the CVP was initiated in the mid-1960's with the advent of the Pacific Northwest-Pacific Southwest Intertie (Intertie), which is used to import capacity and energy from the Northwest. The Intertie provides the CVP with 400 MW of transmission capacity. The Intertie, together with the continuation of the contractual arrangements with Pacific Gas and Electric Company (PGandE) under which the CVP hydrosystem is operationally integrated with the PGandE system, allows the CVP to serve a firm load greater than the load which the CVP hydrosystem could serve on its own. As a result of the integration contract with PGandE and the import of capacity and energy from the Northwest, the CVP is able to meet a system simultaneous demand of 1,152 MW.

The increase in load carrying capacity, which was initiated by the Pacific Northwest-Pacific Southwest Intertie, was the result of a program started by the Congress under which the CVP was obligated to meet the load requirements of certain customers within the service area until 1980 or until a maximum simultaneous load of 1,050 MW was reached. This obligation was further extended to 1,152 MW as a result of a lawsuit settlement which provided the City of Santa Clara with a firm allocation of power and under which PGandE agreed to support a higher load level.

The CVP hydrosystem alone cannot meet the capacity or the energy requirements of the system load. The inability to meet the energy requirements is further compounded by the uncertainty of water availability. Therefore, the CVP relies upon the energy banking arrangements in the integrated contract with PGandE, plus the purchase of energy from outside sources, to meet the energy requirements of its contractual commitments. Under the banking arrangement in any month, energy, generated or imported, which is surplus to the needs of the CVP is "banked" with PGandE under an arrangement which allows Western to purchase the energy back during months (generally September to April) when it is required to meet CVP contractual commitments. There are currently two energy bank accounts and one capacity account with PGandE. Energy Account No. 1 was "closed to additional deposits" in 1967 when the PGandE contract was renegotiated. The rate for purchase from that account was set at the average rate at which energy went into the account plus 15 percent. This rate is about 2.8 mills per kWh. At the same time, Energy Account No. 2 was initiated. The rate for energy from this account is based upon PGandE's current thermal production costs, less a credit for prior sales into the account, plus a service charge. The price of Energy Account No. 2 is currently estimated at 30 mills per kWh and the capacity account is estimated at $8.42 per kW month.

As of October 1985, the amount of energy in PGandE Energy Account No. 1 was about 5.3 billion kWh and with current projections, it will be depleted in FY 1988. PGandE Energy Account No. 2, which contains about 24.8 billion kWh according to Western's records, will expire in FY 2004 with the expiration of Contract 14-06-200-2948A with PGandE. The capacity account contains about 18,056 MW-months and will be depleted in the early 1990's.

The purchase of resources from other outside sources includes Western's replacement of the 400 megawatt Centralia contract which expired in December 1981. Power from the Centralia powerplant located in the State of Washington was used to meet CVP loads and was transmitted over Western's 400 megawatt entitlement on the Pacific Northwest-Pacific Southwest Intertie. In late 1981, Western decided to replace Centralia power after the Centralia owners indicated that they would not extend the contract.

Western initiated a search for replacement power prior to the expiration of the Centralia contract. Western's economic analysis of the various replacement power options was premised on acquiring resources that would be of a lower cost than purchases which would otherwise be made from the previously mentioned PGandE capacity and energy accounts over a 20-year period. A contract with Basin Electric for 185 MW of power was signed as a result. Deliveries are expected in FY 1986. The survey of resources for replacement power occurred at a time when Bonneville Power Administration (BPA) was forecasting less surplus power and Western's forecast of capacity and energy prices from its bank accounts with PGandE showed very high rates. Energy prices were based on oil at the then current price of $35 per barrel of oil and rising at 5 to 10 percent a year. Capacity projections included a component based on PGandE's capacity costs attributable to the Diablo Canyon Nuclear Plant in California.

As a result of later surveys, negotiations began with Longview Fibre and Tacoma City and Light, two Northwest entities. Contracts were executed with each in 1983 because of their competitive rates and long term benefits.

Although (BPA) is presently selling at rates below the current cost of these resources, they would at the time only guarantee power availability and advantageous rates for the short term. The long-term costs of the Tacoma and Longview Fibre contracts are expected to be lower than BPA's surplus, in future years, with longer availability. At the time these contracts were negotiated and executed, BPA was not contemplating sales at fixed rates for 20 years. Western will continue to rely on purchases of nonfirm power from BPA as long as surplus conditions exist.

It is important to distinguish the quality of the power needed by CVP versus the type of power associated with "nonfirm" rates. The resources needed by the CVP are baseload capacity and energy sources necessary to supply firm power to CVP customers. Rates for firm capacity and energy will normally be more than nonfirm energy rates, but assured availability justifies payment at the higher cost.

The CVP includes a backbone transmission system which provides transmission from the generating plants to the project load centers. In order to deliver power to the many preference customers, the integration contract with PGandE provides for wheeling service over the PGandE system. About 70 percent of the energy sold to preference customers is delivered over the PGandE system.

The CVP currently supplies approximately 9 billion kWh annually to meet project and preference customer loads. Of this amount, approximately 3.5 billion kWh are purchased either from PGandE energy bank accounts or from outside sources.

The P-SMBP marketing area includes the States of Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, North Dakota, South Dakota, and Wyoming. Under this program, capacity and energy are marketed in amounts which are essentially based on what is available from Missouri River hydro powerplants. The amount of energy to be marketed is determined on the basis of an average cycle of water years. Therefore, during periods of less-than-average water conditions, there is a need to purchase energy. These purchases are made from both public and private entities. During periods of above-average water conditions, both surplus capacity and energy are available. This surplus capacity and energy is marketed to customers on a short-term basis. Occasionally the surplus capacity and energy is marketed as maintenance energy to other utilities which have units down for maintenance and as emergency service to utilities which lose a generating unit. Excess capacity and energy is also marketed in the fuel replacement program.

The P-SMBP also, in some instances, provides firm energy to preference customers at a load factor greater than the project can generate during some time periods. Some of this additional energy is provided through purchases at the time of need. The rate for such additional energy is based on Western's cost to purchase such energy.

Annual energy sales from the P-SMBP average above 12.8 billion kWh with revenues of over $142 million. Firming energy requirements for the P-SMBP vary considerably from year to year depending on the amount of water available. During the last 5-year period, the annual requirement has approached

1 billion kWh with costs up to $17 million per year. Over 60 percent of the annual cost is covered by net billing arrangements in lieu of appropriated funds.

While the P-SMBP has an extensive transmission system, it also utilizes the systems of other utilities in the delivery of power and energy to some of its customers. In addition, a portion of the Federal transmission system is integrated with the other systems in the area into what is called the Joint Transmission System. This arrangement provides a means of making transmission capacity available in the area in the most efficient manner. Charges are established for use of the system and the revenues are divided among the participants based on each owner's proportionate share of investment.

Western also requires funds to pay for Public Service Company of Colorado wheeling charges to deliver Fryingpan-Arkansas Project power to customers. Additionally, Western requires funds for Parker-Davis Project firming power in the event of adverse water conditions on the Colorado River.

Another part of the purchase power and wheeling activity is the fuel replacement program. This program activity involves the displacement of oil- and gas-fired generation by using hydroenergy available through the flexibility and use of large reservoirs. Surplus low-cost thermal energy is purchased during the offpeak load period to supply Western's customers; this allows water to be stored in reservoirs for later use. Hydropower is then sold during onpeak load periods at 85 percent of fuel costs or at a split- or other shared-saving arrangement to customers who otherwise would use oil-, coal-, or gas-fired generation. The success of this program relates directly to the availability of offpeak economical coal-fired generation to couple with the hydrosystem for displacement of oil- and gas-fired generation.

Accomplishments

- Since 1972, revenues associated with sales from the fuel replacement program have amounted to over $573 million. These revenues were returned to the U.S. Treasury and applied to project repayment. Revenues from fuel replacement sales, in addition to those collected from normal power sales, have the effect of minimizing Western's firm power rate increases. These statistics include activity discussed in the Colorado River Basins Power Marketing Fund narrative statement.

Objectives

- To meet power delivery commitments to preference customers.

- To displace at least an estimated 6-9 million equivalent barrels of oil annually (about 4-6 million barrels are associated with activities within this appropriation).

FY 1987 Budget Request

The total purchase power and wheeling activity for FY 1987 is $204,900,000. This total consists of $76,719,000 of new budget authority, $36,971,000 of prior year carryover, $22,747,000 associated with net billing procedures, and $68,463,000 associated with other financing arrangements.

The total purchase power and wheeling activity increases by $24.7 million from FY 1986 (this includes application of $26.9 million of prior year balances from FY 1984 to FY 1986 and $36.9 million of prior year balances from FY 1985 to FY 1987) to FY 1987. New budget authority increases by $46.4 million (assuming that $16.4 million will be available to offset new budget authority in FY 1987), net billing decreases by $2.9 million, and other financing arrangements decrease by $28.8 million.

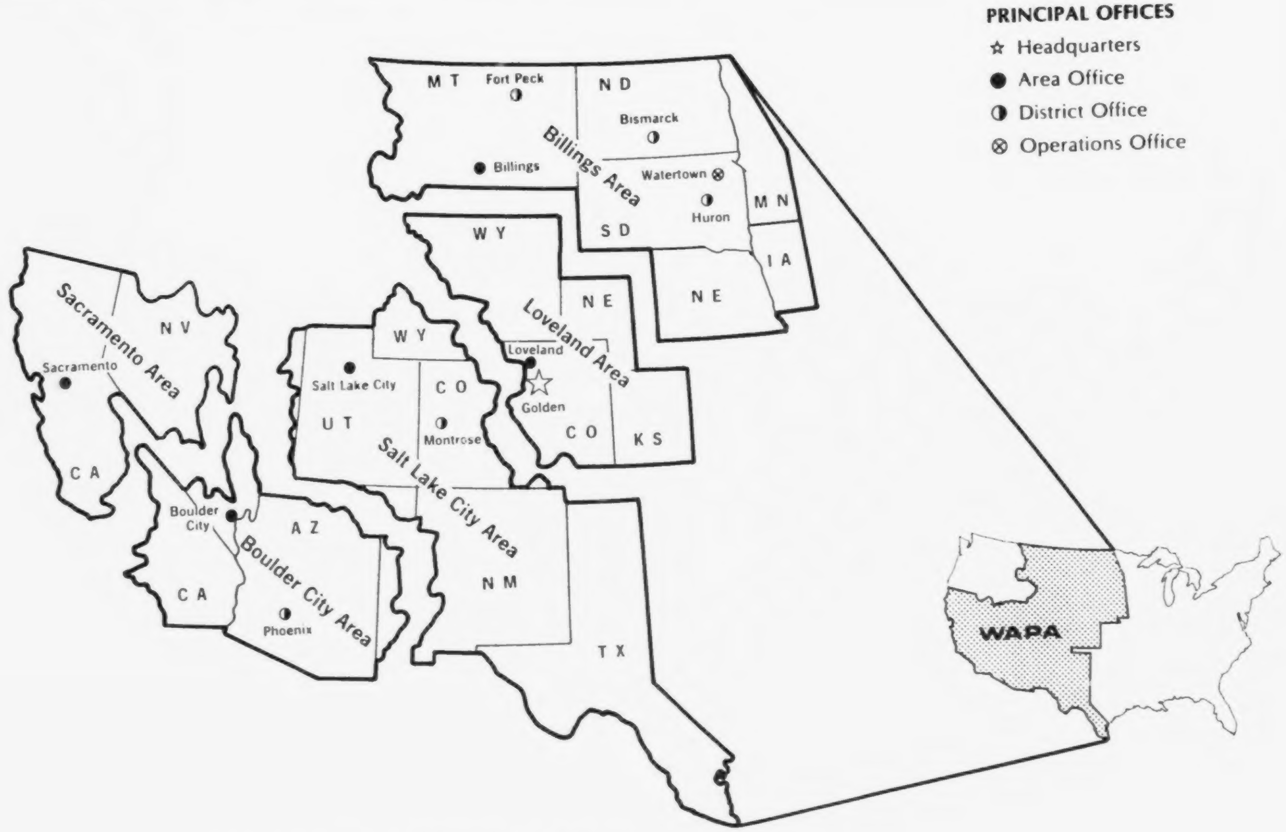
The primary reason for the increase in the total program and appropriation requirements is that Western will be purchasing more power from Basin Electric Power Cooperative in FY 1987. This will be the first full year of implementing the contract between Western and Basin Electric Power Cooperative for delivery of 185 MW of power. Western will reduce purchases from BPA in FY 1987 due to transmission limitations and BPA policy with regard to Northwest power sales. This will decrease nonappropriation transfers with BPA which have offset appropriation requirements in the past.

Western will continue other financing arrangements which include bill crediting. Bill crediting involves contractual arrangements with several of it's CVP customers where the customers agree to assume Western's contractual obligations to pay the purchase power supplier. Under this procedure, while Western would maintain the operational responsibility, the customers would make payment directly to the supplier and have their power bill credited in an amount equal to the amount paid by the customers to the power suppliers.

The purchase power and wheeling appropriation request is based on utilization of federally generated energy, assumption of average water conditions, energy support purchases to meet firm contractual obligations and use of banked capacity and energy in California, and wheeling charges to move power from supplier to customer.

Western must also continue to purchase energy to meet obligations in the Missouri River Basin and Parker-Davis Project areas due to seasonal fluctuations in the hydrosystems.

This program also provides for continuing participation in the fuel replacement program. In addition, the plan provides for the customer load coordination efforts through energy transfers between river basins by displacing current oil- and gas-fired generation. This program seeks, within the limits of water use constraints and transmission limitations, to integrate the dispatch of area hydro and thermal generation in the most economic manner to meet area load obligations.


PRINCIPAL OFFICES
☆ Headquarters
● Area Office
◑ District Office
⊗ Operations Office
M T
Fort Peck
N D
Bismarck
Billings
Billings Area
Watertown
Huron
S D
M N
I A
N E
W Y
N E
Loveland Area
Loveland
Golden
C O
K S
Sacramento Area
N V
Sacramento
C A
W Y
Salt Lake City
C O
U T
Montrose
Salt Lake City Area
N M
T X
Boulder City
A Z
Boulder City Area
C A
Phoenix
WAPA

WESTERN AREA POWER ADMINISTRATION
POWER MARKETING AREAS

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SYSTEM STATISTICS
WESTERN AREA POWER ADMINISTRATION

	1985	1986	1987
Generating Plants (No.)	51	51	52
Generating Capacity:			
Installed Capacity (kW)	8,758,543	8,822,543	8,865,543
Substations:			
Number	234	239	242
Capacity (kVA)	13,775,564	14,868,556	15,888,564
Available energy: (MWh)1/			
Net generation	41,999,000	32,420,007	30,293,007
Purchases	5,592,000	4,617,993	5,105,993
Energy available for marketing 2/	47,591,000	37,038,000	35,399,000
Transmission lines (circuit miles):			
500 kV	94.27	94.27	94.27
345 kV	1,274.46	1,274.46	1,504.38
230 kV	6,455.48	6,620.48	6,700.11
161 kV	1,039.85	1,039.85	1,039.85
138 kV	317.79	317.79	317.79
115 kV	5,768.86	5,760.16	5,777.76
69 kV and below	1,168.35	1,168.35	1,056.95
Total circuit miles	16,119.06	16,275.36	16,491.11
Western revenues: ($ in thousands)			
Revenue from electric service	$613,623	$571,916	$589,174

1/ One megawatthour (MWh) equals one thousand kilowatthours (kWh).

2/ Excludes transmission losses.

DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

ESTIMATED ENERGY SALES FOR FY 1985 THROUGH FY 1991 1/

(in gigawatthours)2/

PROJECT	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
Boulder Canyon Project	8,828	5,000	5,000	4,527	4,527	4,527	4,527
Central Valley Project	8,852	8,407	8,419	8,497	8,507	8,510	8,510
Collbran Project	60	55	55	55	55	55	55
Colorado River Basin Project (Navajo)	3,891	1,208	270	0	0	0	0
Colorado River Storage Project	11,465	7,253	7,253	7,252	7,252	7,172	7,172
Falcon-Amistad Project	227	291	291	291	291	291	291
Fryingpan-Arkansas Project	0	0	0	0	0	0	0
Parker Davis Project	1,765	1,324	1,207	1,252	1,155	1,155	1,155
Pick-Sloan Missouri Basin Program	12,385	13,380	12,784	12,850	12,787	13,056	12,579
Pacific Northwest-Pacific Southwest Intertie	0	0	0	0	0	0	0
Rio Grande Project	118	120	120	100	80	61	61
TOTAL	47,591	37,038	35,399	34,824	34,654	34,827	34,350

1/ Does not reflect the proposed privitization of Western's power systems which may be implemented in future years.

2/ One gigawatthour (gWh) equals one million kilowatthours (kWh).

DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

ESTIMATED POWER REVENUES FOR FY 1985 THROUGH FY 1991 1/

(Dollars in thousands)

PROJECT	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
Boulder Canyon Project	$ 31,031	$ 23,593	$ 35,276	$ 32,500	$ 29,000	$ 23,000	$ 19,000
Central Valley Project	187,723	244,602	271,314	268,664	267,894	265,839	260,221
Collbran Project	1,179	1,212	1,258	1,258	1,258	1,258	1,258
Colorado River Basin Project (Navajo)	75,361	25,497	5,990	0	0	0	0
Colorado River Storage Project	138,857	91,178	93,942	96,214	97,066	84,309	85,935
Falcon-Amistad Project	3,579	3,700	3,800	3,900	4,000	4,100	4,200
Fryingpan-Arkansas Project	909	7,681	7,690	8,829	8,829	9,155	9,155
Parker Davis Project	36,183	20,882	21,533	22,656	21,783	21,783	21,783
Pick-Sloan Missouri Basin Program	133,957	147,737	142,537	145,409	144,715	145,055	136,362
Pacific Northwest-Pacific Southwest Intertie	2,164	2,172	2,172	2,172	2,172	2,172	2,172
Rio Grande Project	2,680	3,662	3,662	3,222	2,782	2,358	2,358
TOTAL	$613,623	$571,916	$589,174	$584,824	$579,499	$559,029	$542,444

1/ Revenue amounts reflect current repayment practices. Depending upon legislative proposals for modified debt repayment criteria, total revenues will not change significantly, although, individual projects may increase, decrease, or remain the same.
Does not reflect the proposed privitization of Western's power systems which may be implemented in future years.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

POWER MARKETED AND WHEELED FOR OTHERS BY PROJECT
WESTERN AREA POWER ADMINISTRATION

Project	State	No. of Plants	Installed Capacity-MW	FY 1985 Estimated Power-gWh	FY 1986 Estimated Power-gWh	FY 1987 Estimated Power-gWh
Power Marketed						
Boulder Canyon	AZ	1	0	707	704	702
	CA	0	0	7,343	3,514	3,518
	NV	0	0	778	782	780
Subtotal		1	1,417	8,828	5,000	5,000
Central Valley	CA	10	1,848	8,852	8,407	8,419
Subtotal		10	1,848	8,852	8,407	8,419
Collbran	CO	2	14	60	55	55
Subtotal		2	14	60	55	55
Colorado River Basin (Navajo)	AZ	1	547	942	364	135
	CA	0	0	2,851	844	135
	NV	0	0	98	0	0
Subtotal		1	547	3,891	1,208	270
Colorado River Storage	AZ	1	1,135	1,331	888	888
	CA	0	0	1,821	566	566
	CO	3	208	2,442	2,028	2,028
	NV	0	0	1,205	376	376
	NM	0	0	1,428	1,085	1,085
	UT	2	113	2,303	1,739	1,739
	TX	0	0	23	22	22
	WY	1	10	912	549	549
Subtotal		7	1,466	11,465	7,253	7,253
Falcon-Amistad	TX	2	97	227	291	291
Subtotal		2	97	227	291	291
Fryingpan-Arkansas	CO	1	200	0	0	0
Subtotal		1	200	0	0	0
Pacific Northwest-Southwest Intertie	AZ	0	0	0	0	0
	CA	0	0	0	0	0
	NV	0	0	0	0	0
Subtotal		0	0	0	0	0

Project	State	No. of Plants	Installed Capacity-MW	FY 1985 Estimated Power-gWh	FY 1986 Estimated Power-gWh	FY 1987 Estimated Power-gWh
Power Marketed (Continued)						
Parker-Davis	AZ	1	240	924	781	712
	CA	1	60	399	199	181
	NV	0	0	442	344	314
Subtotal		2	300	1,765	1,324	1,207
Pick-Sloan Missouri Basin Program	CO	6	211	979	1,440	915
	IA	0	0	1,605	1,964	1,952
	MN	0	0	2,027	2,464	2,447
	MT	3	485	1,095	989	983
	NE	0	0	2,457	2,505	2,491
	ND	1	430	1,868	1,637	1,626
	SD	4	1,483	1,722	1,804	1,793
	WY	10	236	632	577	577
Subtotal		24	2,845	12,385	13,380	12,784
Rio Grande	NM	1	24	118	120	120
Subtotal		1	24	118	120	120
Subtotal, Power Marketed		51	8,758	47,591	37,038	35,399
Power Wheeled For Others						
Boulder Canyon		0	0	0	0	0
Subtotal		0	0	0	0	0
Central Valley		0	0	175	86	105
Subtotal		0	0	175	86	105
Collbran		0	0	0	0	0
Subtotal		0	0	0	0	0
Colorado River Basin		0	0	0	0	0
Subtotal		0	0	0	0	0
Colorado River Storage Project		0	0	398	398	694
Subtotal		0	0	398	398	694
Falcon Amistad		0	0	0	0	0
Subtotal		0	0	0	0	0

Project	State	No. of Plants	Installed Capacity-MW	FY 1985 Estimated Power-gWh	FY 1986 Estimated Power-gWh	FY 1987 Estimated Power-gWh
Power Wheeled For Others (Continued)						
Fryingpan-Arkansas		0	0	73	384	393
Subtotal		0	0	73	384	393
Pacific Northwest-Southwest Intertie	AZ	0	0	225	225	225
	CA	0	0	194	194	194
	NV	0	0	32	32	32
Subtotal		0	0	451	451	451
Parker-Davis	AZ	0	0	0	0	0
	NV	0	0	0	0	0
Subtotal		0	0	0	0	0
Pick-Sloan Missouri Basin Program		0	0	3,016	3,524	3,660
Subtotal		0	0	3,016	3,524	3,660
Rio Grande		0	0	0	0	0
Subtotal		0	0	0	0	0
Subtotal, Power Wheeled for Others		0	0	4,113	4,843	5,303
Summary						
Power Marketed and Wheeled for Others						
Boulder Canyon		1	1,417	8,828	5,000	5,000
Central Valley		10	1,848	9,027	8,493	8,524
Collbran		2	14	60	55	55
Colorado River Basin		1	547	3,891	1,208	270
Colorado River Storage		7	1,466	11,863	7,651	7,947
Falcon-Amistad		2	97	227	291	291
Fryingpan-Arkansas		1	200	73	384	393
Pacific Northwest-Southwest Intertie		0	0	451	451	451
Parker-Davis		2	300	1,765	1,324	1,207
Pick-Sloan Missouri Basin Program		24	2,845	15,401	16,904	16,444
Rio Grande		1	24	118	120	120
Total Power Marketed and Wheeled for Others		51	8,758	51,704	41,881	40,702

SUMMARY OF LITIGATION
WESTERN AREA POWER ADMINISTRATION

Basin Electric Power Cooperative v. Montana Public Service Commission, et al. Basin Electric Power Cooperative (Basin) filed suit in U.S. District Court in Billings, Montana, seeking a declaratory judgment that defendants Western and the Bonneville Power Administration (BPA) fully complied with the National Environmental Policy Act (NEPA) in preparing an Environmental Assessment of the BPA-Western Memorandum of Understanding (MOU) implementing the sale and transmission of 185 MW of power from Basin to Western. The Montana Public Service Commission (MPSC), also a named defendant, had earlier threatened to block the sale for alleged non-compliance with NEPA. Motions to dismiss were filed by both BPA and Western. The MPSC filed an Answer and Cross-Claim against both BPA and Western. The claim against Western was essentially that the Basin-Western contract, which provided for the 185 MW sale, was itself a major federal action requiring an Environmental Impact Statement under NEPA. On January 11, 1985, Judge Battin of the U.S. District Court for the District of Montana granted the United States' and Basins' motions for summary judgment. The decision is reported at 608 F.Supp. 772. The MPSC did not appeal the decision.

Arvin-Edison Water Storage District, et al. v. Hodel, et al. The plaintiffs were 11 irrigation and water storage districts located in the Central Valley of California. All 11 have power contracts with Western. The districts challenged Western's decision to allocate an additional 102 MW of power from the Central Valley Project (CVP), as well as the manner in which Western allocated that power. The districts also challenged the CVP rate increases, arguing that as irrigation districts they were entitled to CVP power at the "project use" rate, or alternatively, a separate irrigation customer rate that did not include any costs of interest, irrigation repayment, or purchased power. In short, the districts claimed that, as irrigators, they were entitled to a separate, lower rate and a greater preference in the allocation of power than other CVP customers. On March 28, 1985, Judge Harold H. Greene of the U.S. District Court for the District of Columbia granted the United States motion for summary judgment. The court held that reclamation law did not require that the plaintiff irrigation districts receive special treatment or a super-preference with respect to rates for or the allocation of CVP power. The decision is reported at 610 F.Supp. 1206. The districts did not appeal the decision.

Trinity County Public Utility District, et al. v. Hodel, et al. On September 19, 1984, Trinity County Public Utility District, Hayfork Valley Public Utility District, Calaveras Public Power Agency, and Tuolumne County Public Power Agency filed suit against Western. The districts have a first preference by law to an allocation of power from the Central Valley Project (CVP) as a result of the construction of the Trinity River Division of the CVP (for Trinity County PUD and Hayfork Valley PUD) and the New Melones Project of the CVP (for Calaveras Public Power Agency and Tuolumne County Public Power Agency). Plaintiffs Trinity County PUD and Hayfork Valley PUD sought special power rates which included only those costs attributable to the Trinity River Division; plaintiffs Calaveras Public Power Agency and Tuolumne County Public Power Agency sought special power rates which included only those costs attributable to the New Melones Project. On February 22, 1985, Judge Edward Garcia of the U.S. District Court for the Eastern District of California granted the United States' motion for summary judgment. Judge Garcia held that the plain language of the statutes did not grant to plaintiffs the right to a portion of the output of specific powerplants, or to special rates based only on the costs of those plants. The first preference that plaintiffs have is to an allocation of power from the CVP; in all other respects, plaintiffs are to be treated as other CVP power customers. Judge Garcia concluded that purchased power costs were an authorized cost of the integrated CVP power system, and that plaintiffs were not exempt by law from paying their share of those costs. The plaintiffs appealed the decision to the U.S. Ninth Circuit Court of Appeals, where oral argument was held on December 11, 1985. No decision has been rendered at this time.

City of South Sioux City v. Edwards. Four municipalities in Nebraska filed suit challenging Western's Post-1985 Marketing Plan for the Pick-Sloan Missouri Basin Program, Eastern Division, on a number of different grounds. Both Western and the plaintiff municipalities filed motions for summary judgment. Western asserted, among other things, that none of the plaintiff municipalities had filed their applications for federal power before the deadline. The municipalities alleged, among other things, that Western did not give adequate notice of the marketing plan. The municipalities sought an order requiring Western to allocate power to them, since, in their view, Western would have allocated power to them if they had applied on time. On May 20, 1985, Judge Warren Urbom of the U.S. District Court for the District of Nebraska granted the United States' motion for summary judgment. He ruled that Western's decision that plaintiffs were not eligible to receive power under the post-1985 Marketing Plan was not reviewable by the court. The decision was appealed to the U.S. Eighth Circuit Court of Appeals, where oral argument will take place in early 1986.

Utah Power and Light Company (UPandL), FERC Docket No. ER84-517-000. On July 30, 1984, UPandL asked the Federal Energy Regulatory Commission (FERC) to permit a $9,754,827 annual increase in the rates collected under its contracts with the United States for wheeling Colorado River Storage Project (CRSP) power in Utah. On August 22, 1984, Western filed a protest, motion to intervene and motion to reject the filing. An additional 22 Motions to Intervene were filed in the case on behalf of many CRSP customers, the State of Utah and the Sierra-Pacific Power. Western (and the CRSP customers) argued that the proposed rate increase is not permitted under the UPandL contracts or under Mobile-Sierra doctrine. According to the Mobile-Sierra doctrine, if contracts such as these do not authorize unilateral rate changes, the FERC may set a different rate only if it finds that a failure to do so would adversely affect the public interest. On September 28, 1984, the FERC sent a deficiency letter to UPandL stating that its filing had not met that test and requesting that UPandL either withdraw the filing or submit additional evidence. On October 12, 1984, UPandL submitted further information in response to the deficiency letter. On October 1, 1985, FERC Administrative Law Judge Jon Lotis ruled in Western's favor, holding that the fixed-rate contracts should not be changed. The matter is now pending before the full Commission.

Paul Aslakson v. United States of America. Suit for wrongful death brought by the parents of Timothy Aslakson, age 22, who was killed on June 22, 1982 when the mast of the sailboat on which he was aboard struck Western's 115-kV electric transmission line as it crosses a portion of Creel Bay on Devil's Lake, North Dakota. Plaintiffs initially filed a claim against Western under the Federal Tort Claims Act on March 10, 1983 seeking recovery in the amount of $1 million. Western denied the claim on April 27, 1983. Thereafter, the plaintiffs initiated this suit by filing the complaint on September 21, 1983 - again seeking recovery in the amount of $1 million. The United States' motion for summary judgment was granted by the U.S. District Court. The plaintiffs appealed to the U.S. Eighth Circuit Court of Appeals, where oral argument was held on December 13, 1985. No decision has been rendered at this time.

City of Santa Clara v. Herrington. In August 1985, the Cities of Palo Alto, Roseville, and Redding, California, and the Plumas-Sierra Rural Electric Cooperative (the Cities) filed a motion with U.S. District Court Judge Conti for an order confirming their interpretation of the meaning of the word "nonwithdrawable" in the *Santa Clara* settlement. The settlement was entered into in 1980 by Western, certain of its Central Valley Project (CVP) preference customers, and the Pacific Gas and Electric Company after the Ninth Circuit's decision in *City of Santa Clara v. Andrus*, 572 F.2d 660, *cert. denied*, 439 U.S. 856 (1978). As part of the settlement, Western allocated an additional 102 MW of power from the CVP. The Cities contended that the settlement prohibited Western from withdrawing power from them for any purpose. It is Western's position that the settlement did not address this issue, and that the preference customer parties to the settlement understood that Western could withdraw power from them for certain purposes. The United States filed a memorandum in opposition to the Cities' motion, contending that there was a substantial dispute of fact with regard to the meaning of the word "nonwithdrawable." The United States sought a ruling which would allow the parties to develop the facts in the case. On October 11, 1985, however, Judge Conti issued an order granting the Cities' motion. The United States has appealed this decision to the U.S. Ninth Circuit Court of Appeals.

Ramsey v. United States. The plaintiff, a Western employee, filed suit in the U.S. District Court for the District of Colorado, alleging discrimination and retaliation. Trial proceedings are underway.

Bulkeley v. United States. On November 22, 1985, the plaintiff, a Western employee, filed suit against Western in the U.S. District Court for the District of Colorado. The plaintiff alleges that he was deprived of an ownership interest in a privately-owned airplane without due process of law. No trial date has been set at this time.

United States v. Pony Express Corporation. The United States filed suit against Pony Express for monetary damages incurred as a result of Pony Express' alleged failure to deliver checks from Western's customers to the Federal Reserve Bank. A settlement has been negotiated, and approval of the settlement is pending.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF ESTIMATES BY APPROPRIATION BY MAJOR ACTIVITY
WESTERN AREA POWER ADMINISTRATION
COLORADO RIVER BASINS POWER MARKETING FUND

(In thousands of dollars)

	FY 1985 Actual		FY 1986 Estimate		FY 1987 Request	
	BA	BO	BA	BO	BA	BO
Western Area Power Administration - Colorado River Basins Power Marketing Fund	---	$-69,561	---	$-56,144	---	$-44,844
Total, Western Area Power Administration - Colorado River Basins Power Marketing Fund	---	$-69,561	---	$-56,144	---	$-44,844

DEPARTMENT OF ENERGY
1987 CONGRESSIONAL BUDGET REQUEST
AMOUNTS AVAILABLE FOR OBLIGATION
WESTERN AREA POWER ADMINISTRATION
COLORADO RIVER BASINS POWER MARKETING FUND
(In thousands of dollars)

	FY 1986	FY 1987
Appropriation	$ ---	$ ---
Receipts and Reimbursements:		
Unobligated Balance, Start of Year ...	46,814	26,687
Unobligated Balance, End of Year	-26,687	-26,487
Power Revenue	147,534	126,800
Capital Transfer to General Fund	-81,000	-45,000
Total Obligations	$ 86,661	$ 82,000

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
POWER MARKETING - WESTERN AREA POWER ADMINISTRATION (CBR)
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1985 Obligational Authority	FY 1986 Obligational Authority	FY 87 Base	FY 1987 Request	Request vs Base
Power Marketing - Western Area Power Administration- Revolving Fund (CRB) Operation and Maintenance					
Operating Expenses.....	$ 93,600	$ 86,627	$ 86,627	$ 82,000	$ -4,627
Total					
Operating Expenses...	$ 93,600	$ 86,627	$ 86,627	$ 82,000	$ -4,627
Colorado River Basins Power Mktg. Fund...	$ 93,600	$ 86,627	$ 86,627	$ 82,000	$ -4,627
Staffing Total FTEs	219	219	219	219	-0-

Principal Acts governing program:

Authorization:

P.L. 95-91, "The Department of Energy Organization Act of 1977"
P.L. 75-529, "The Fort Peck Project Act of 1938"
P.L. 84-485, "The Colorado River Storage Project Act of 1956"
P.L. 92-370, "Act of 1972," authorizing continuing work in the Upper Colorado River Basin
P.L. 90-537, "The Colorado River Basin Project Act (Navajo) of 1968"
P.L. 98-360, "Energy and Water Development Appropriation Act of 1985" (Navy Geothermal projects at Fallon, Nevada)

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
COLORADO RIVER BASINS POWER MARKETING FUND
(Dollars in Thousands)

FY 1986 Obligational Authority	$ 86,627
FY 1987 Base	$ 86,627
Program increases and decreases:	
Completion of construction work for replacement of the Fort Peck-Havre 161-kV Transmission Line	-1,162
Decrease in other replacement requirements	-1,685
Decrease due to reevaluation of estimates for purchase power costs for fuel replacement	-4,221
Decrease in requirement for interest payments	- 991
Net increase for transmission system operation and maintenance and conservation and renewable energy activities	+3,432
FY 1987 Requested Obligational Authority	$ 82,000

NARRATIVE JUSTIFICATION

The FY 1987 request of $82,000,000 reflects a decrease of $4,627,000 from the FY 1986 request of $86,627,000. The decrease is primarily due to a decrease in power system replacements and fuel replacement power purchases.

A detailed narrative justification for the Colorado River Basins Power Marketing Fund is provided below.

Operation and Maintenance - General Statement

Background:

The Colorado River Basins Power Marketing Fund encompasses the power marketing and transmission functions associated with the Colorado River Storage Project (CRSP), including the Seedskadee Participating Project; the Fort Peck Project in Montana; the Colorado River Basin Project (CRBP) in Arizona, including the Central Arizona Project (CAP) and the United States entitlement from the Navajo coal-fired powerplant near Page, Arizona; and the Navy Geothermal projects at Fallon, Nevada. Operation, maintenance, conservation and renewable energy (C&RE) activities, purchase power, and other power marketing expenses for these power systems are financed from revenues from the sale of electric energy and capacity. Power sales and other revenues which are collected in excess of expenses are used to pay interest and for repayment of investments to the Treasury.

Definition of the Revolving Fund:

The Colorado River Basins Power Marketing Fund is a Federal Public Enterprise Revolving Fund. The fund is credited with collections from the sale of electric power and energy that is earmarked to finance a continuing cycle of business-type operations for certain power projects. The FY 1987 request of $82,000,000 is an obligational authority limitation only. Each fiscal year's amount represents Western's estimate of obligations to finance the CRB business-type operations. Budget authority was granted in the power projects' substantive legislation. Therefore, budget authority is always available, and does not require current congressional appropriation action. Specifically, the following language is in the substantive legislation for each of the four power projects under this account:

- P.L. 84-485 - Section 5 established the Upper Colorado River Basin Fund and states in part ". . . All revenue collected in connection with the operation of the Colorado River Storage Project (CRSP) and participating projects shall be credited to the Basin Fund, and shall be available, without further appropriation, for defraying the costs of operation, maintenance, and replacements of, and emergency expenditures for, all facilities of the CRSP and participating projects . . . ."
- P.L. 75-529 - Section 10, established a continuing fund providing in part ". . . All receipts from transmission and sale of electric energy generated at the Fort Peck Project shall be covered into the Treasury of the

United States to the credit of miscellaneous receipts, save and except that the Treasury shall set up and maintain from such receipts a continuing fund of $500,000, to the credit of the Bureau of Reclamation and subject to expenditure by it to defray the operating expense of generation and transmission of power delivered to the Bureau of Reclamation for disposal under this Act, to defray emergency expenses and to insure continuous operation . . . ."

- P.L. 90-537 - Section 403 established the Lower Colorado River Basin Development Fund. Subsection 403(d) provides in part ". . . All monies collected and credited to the development fund . . . shall be available without further appropriation for defraying the cost of operation, maintenance and replacement of, and emergency expenditures for all facilities of the projects . . . ."

- P.L. 98-360 provides "That all revenues collected in connection with the operation of Navy Geothermal projects at Fallon, Nevada, . . . shall be available to the Secretary of Energy, without further appropriation, for payment of energy costs, contract administration costs, and the design, construction, operation, maintenance and replacement, and administrative costs of all required transmission facilities and power marketing activities directly associated with the Fallon, Nevada, Navy Geothermal projects." Due to slippage in test generation, estimates of the available resource are very tentative. The Navy plans to rebid the project after recent termination of a joint venture contract with a geothermal power development company. Therefore, there are no estimates of obligational authority, power sales, and power revenues provided in this budget request.

Objectives:

- To continue to operate and maintain a reliable electric power system including over 3,000 miles of Western's total of 16,000 miles transmission lines and associated substations and switchyards.

- To market existing and potential Federal power resources to about 20 percent of Western's customers at rates consistent with sound business practices and sufficient to meet annual operating expenses and repayment obligations.

- To plan and implement a C&RE program.

- To plan and manage energy supplies in accordance with national energy goals. To further this objective, Western will continue to market fuel replacement energy, saving the equivalent of millions of barrels of oil.

To achieve these objectives in FY 1987, Western requires obligational authority of $82,000,000. This program level is $4,627,000 below the obligational authority for FY 1986 due primarily to refinement of estimates for fuel replacement purchase power costs, and a lower level of expenditure for replacement items.

The following table illustrates the dollar changes in major categories in the FY 1987 obligational request as compared with FY 1986 obligational authority:

Category	FY 1986 Program	Change	FY 1987 Program
	(Dollars in thousands)		
1. Regular operation and maintenance	$15,838	$+3,379	$19,217
2. Purchase power and wheeling	28,000	-0-	28,000
3. Fuel replacement	29,221	-4,221	25,000
4. Replacement of substation equipment, other equipment, and units of property	8,656	-2,847	5,809
5. Interest expense	3,522	- 991	2,531
6. Conservation and Renewable Energy	1,390	+ 53	1,443
TOTAL	$86,627	$-4,627	$82,000

The total amount of estimated obligations is, in large part, based on estimates of hydrologic conditions affecting requirements to purchase power for firming energy and for fuel replacement energy. Therefore, Western's actual expenses may fall short of the requested obligational authority during years of above-average water conditions. Above-average water conditions will lessen the need to buy firming power from neighboring utilities, since Western is able to meet most of its firm power contractual needs from hydropower generation. An above-average water condition will also lessen the requirement to spend money for purchases of energy, as Western is more likely to displace oil- or coal-fired generation with its own surplus hydropower energy resources.

Likewise, expenses could exceed the requested obligation program during a year of extremely below-average water conditions. In such a case, Western may be required to request supplemental obligational authority to purchase energy to meet its firming power needs and to optimize revenue and fuel savings through fuel replacement efforts.

A discussion of prior year accomplishments and budget justifications follows for each category:

1. Regular Operation and Maintenance

The request of $19,217,000, or 23 percent of the FY 1987 program, is for regular power operation and maintenance activities including salaries and other expenses required to operate and maintain approximately 3,000 miles of transmission lines, substations, switchyards, communications, and control equipment. This amount includes expenses for system operations such as power marketing, dispatching, power billing, and collecting. Power revenues are also used to cover the Corps of Engineers' expenses for operation and maintenance of the Fort Peck Powerplant. The Bureau of Reclamation (BuRec) will continue to transfer to Western completed transmission facilities of the CAP for Western to operate and maintain.

Western's outlook for power sales and revenues during the period FY 1985 to FY 1987 are shown in the following tables:

POWER SALES (in gigawatthours) 1/

Project	Actual FY 1985	Est. FY 1986	Est. FY 1987
Colorado River Basin Project (Central Arizona)	3,891	1,208	270
Colorado River Storage Project	11,465	7,253	7,253
TOTAL	15,356	8,461	7,523

POWER REVENUES (dollars in thousands) 2/

Project	Actual FY 1985	Est. FY 1986	Est. FY 1987
Colorado River Basin Project (Central Arizona)	$ 75,361	$ 25,497	$ 5,990
Colorado River Storage Project	138,857	91,178	93,942
TOTAL	$214,218	$116,675	$ 99,932

The Fort Peck Project is operationally and financially integrated into the Pick-Sloan Missouri Basin Program. Therefore, Fort Peck Project power sales and revenues are included in the Pick-Sloan Missouri Basin Program power sales and revenue estimates discussed under the previous appropriation narrative justification.

1/ One gigawatthour equals one million kilowatthours.

2/ Revenue amounts reflect current repayment practices. Depending upon legislative proposals for modified debt repayment criteria, total revenues will not change significantly, although, individual projects may increase, decrease, or remain the same.

The power sales and revenue estimates are changing for several reasons:

- The energy available from the CRBP is based upon an energy withdrawal schedule that is obtained from BuRec. This schedule indicates the amount of energy available to Western for marketing to layoff customers; i.e., customers who agreed to acquire power from the coal-fired Navajo Powerplant on an interim basis until energy is needed for pumping water along the CAP aqueduct currently under construction by BuRec. This energy has been decreasing since in FY 1985 due to increased CAP use, and there will be only a small amount of energy available for marketing in FY 1987 and beyond. The amount available will depend on actual needs of CAP and the final method of marketing this surplus energy.

- The FY 1985 energy sales of the CRSP are considerably higher than for the subsequent years' energy sales because of above-average water conditions. The additional release of water through the power plants in FY 1985 produced more energy for fuel replacement and other nonfirm energy sales. However, these conditions are not expected to continue past the FY 1985 time period. The decline in energy sales from FY 1989 to FY 1990 (see the power sales table at the end of this submission) is a result of an anticipated decrease in fuel replacement sales, as outlined in the post-1989 marketing plan for CRSP resources.

  The FY 1985 power revenues for CRSP are considerably higher than for the subsequent years' power revenues, because of the additional sales of fuel replacement and other nonfirm energy. These sales, however, are not expected to continue at the FY 1985 level for the subsequent years. The increase in power revenues from FY 1987 to FY 1988 is a result of an anticipated increase in the rate for fuel replacement sales. The decline in power revenues from FY 1989 to FY 1990 is a result of an anticipated decrease in the amount of energy available for fuel replacement sales.

Power revenues after FY 1987 are projected to level out to about $90 million per year.

Developmental work will continue in FY 1986 on power marketing criteria for the CRSP and other minor programs to determine the allocation of Federal power after 1989 when current contracts expire.

2. Purchase Power and Wheeling

About $28 million, or one-third (34 percent) of the FY 1987 request, is for power purchases from non-Federal utilities to meet deliveries of firm energy to Western's customers. The expense program is based on a below-average water year. Even though 1984 and 1985 were good water years yielding surplus hydropower, past experience with unpredictable precipitation requires that Western request obligational authority for purchase power to meet firm energy needs in the event of adverse water conditions.

3. Fuel Replacement

The estimate for fuel replacement obligational authority is $25 million, or 31 percent of the FY 1987 budget. Western's fuel replacement program under the revolving fund involves use of two resources--hydropower from the Federal system and purchased power from other utilities. Use of the two resources is coordinated, depending on hourly and seasonal water and power delivery schedules, to maximize fuel savings in the non-Federal sector as well as to produce funds to assist in repayment of the Federal investment in water and power projects.

Western's participation in the fuel replacement program is continually reassessed to provide for optimum participation based on water supply conditions, availability of energy, transmission capabilities, changes in customer generating capabilities, and other factors. As a result, annual program adjustments will be necessary depending upon the factors and conditions prevailing at the time planning estimates are made. The program exemplifies Western's continuing efforts with partnership arrangements with non-Federal interests to produce benefits for both parties, as well as to further national energy goals.

Fiscal years 1983 through 1985 were extraordinarily good years for hydroelectric generation in the West due to above-average precipitation. As a result, Western was able to market more hydroenergy than normal, assisting other utilities by displacing generation of electricity produced by their oil- and gas-fired powerplants. The following table illustrates past savings and future estimates for this fund:

Fiscal Year	Equivalent Barrels of Oil Saved
1983	4,000,000 (actual)
1984	6,000,000 (actual)
1985	6,000,000 (actual)
1986	3,500,000 (estimated)
1987	2,000,000 (estimated)

4. Replacements

Approximately $6 million, or 7 percent of the FY 1987 expense program is required to replace substation equipment, mobile equipment, communication and control equipment, and for minor additions to keep the system operable. Most of the equipment acquisition is of a recurring nature due to excessive age of existing equipment or high cost of maintenance. Mobile equipment such as line trucks and pole trailers, plus communications and control equipment will be replaced. The program also provides for replacement of tools and work equipment in garages, warehouses, and for power system testing and repair. Western will complete the cost sharing arrangement with the BuRec in FY 1987 whereby the BuRec will pay approximately one-third of the cost of a Supervisory Control and Data Acquisition system. This system will allow Western to more efficiently monitor and control generation, transmission, and delivery of power to its customers.

The requested amount for replacements in FY 1987 is close to $3 million less than FY 1986 due mainly to the replacement in FY 1986 of capacitors at Flagstaff Substation in Arizona and completion in FY 1986 of replacement of the Fort Peck-Havre 230-kV Transmission Line in Montana.

5. Interest

Interest on the unpaid investment in the Colorado River Storage Project facilities is less in FY 1987 due to significant capital transfer payments made in recent years as a result of surplus revenues produced during above-average water conditions.

6. Conservation and Renewable Energy

About $1.4 million, or 2 percent of the expense program is for C&RE activities. A discussion of Western's C&RE activities is provided in the preceding decision unit narrative statement.

DEPARMENT OF ENERGY

Proposed Appropriation Language

[Emergency] Continuing Fund, Western Area Power Administration

[The Treasury of the United States shall set up and maintain a continuing fund of $500,000 out of Western Area Power Administration deposits to the Reclamation Fund. Said continuing fund shall be available to the Western Area Power Administration to assure the continuous operation and maintenance of its power system during unusual or emergency conditions, within the meaning of the Act of June 26, 1948 (43 U.S.C. 502-03): Provided, That expenditures from said continuing fund shall be replenished from power revenues of the Project for which funds were expended on an unusual or emergency basis.] (Public Law 99-141, making appropriations for energy and water development, 1986.)

DEPARTMENT OF ENERGY
1987 CONGRESSIONAL BUDGET REQUEST
AMOUNTS AVAILABLE FOR OBLIGATION
CONTINUING FUND - WESTERN AREA POWER ADMINISTRATION - OPERATING EXPENSES
(In thousands of dollars)

	FY 1986	FY 1987
Appropriation	$ ---	$ ---
Receipts and Reimbursements:		
Unobligated Balance, Start of Year	613	613
Unobligated Balance, End of Year	- 613	- 613
Total, Obligations	$ ---	$ ---

DEPARTMENT OF ENERGY
1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW

CONTINUING FUND, WESTERN AREA POWER ADMINISTRATION

The goal associated with the Continuing Fund is to ensure continuous operation of Western's electric power transmission system and provide reliable, uninterrupted electric power service to customers in the event of an unusual or emergency situation.

Emergency power system repairs were made to transmission line structures and substations damaged by severe flooding in the southern Arizona area during FY 1983 and FY 1984. No emergencies occurred in FY 1985.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
CONTINUING FUND - WESTERN AREA POWER ADMINISTRATION
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1985 Appropriation	FY 1986 Appropriation	FY 1986 Base	FY 1987 Request	Request vs Base
Continuing Fund	---	---	---	---	---
Staffing Total FTE's	---	---	---	---	---

Authorization: P.L. 80-790; P.L. 99-141

Justification for the Continuing Fund:

The Continuing Fund is for the purpose of defraying expenses incurred because of unusual or emergency conditions such as damage to transmission lines or other physical failures or damages, acts of God, or of the public enemy, fires, floods, drought, strikes or freight embargoes, or conditions causing or threatening to cause interruption in power services.

Language was approved in the Energy and Water Development Appropriation Act for FY 1986 to provide permanent authority for a Continuing Fund to be maintained from Western Area Power Administration deposits to the Reclamation Fund.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
ANALYSIS OF OUTYEAR IMPACT
CONSTRUCTION, REHABILITATION, OPERATION AND MAINTENANCE
WESTERN AREA POWER ADMINISTRATION - OPERATING EXPENSES
POWER MARKETING - WESTERN AREA POWER ADMINISTRATION [1/]
(In thousands of dollars)

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991
Budget Authority					
Construction and Rehabilitation	$ 77,685	$ 90,000	$ 92,000	$ 95,000	$104,000
Operation and Maintenance	85,905	89,000	93,000	100,000	104,000
Purchase Power and Wheeling	76,719	126,000	135,000	219,000	290,000
Total, Budget Authority	$240,309	$305,000	$320,000	$414,000	$498,000
Outlays					
Construction and Rehabilitation	$ 83,909	$ 66,100	$ 93,900	$114,500	$113,600
Operation and Maintenance	83,400	88,600	92,500	97,200	104,500
Purchase Power and Wheeling	114,400	126,000	135,000	219,000	290,000
Total, Outlays	$281,709	$280,700	$321,400	$430,700	$508,100
Staffing					
Total FTE	1,160	1,160	1,160	1,160	1,160

[1/] Does not reflect the proposed privitization of Western's power systems which may be implemented in future years.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
ANALYSIS OF OUTYEAR IMPACT
COLORADO RIVER BASINS POWER MARKETING FUND
POWER MARKETING - WESTERN AREA POWER ADMINISTRATION
REVOLVING FUND (CRB) [1]

(In thousands of dollars)

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991
Obligational Authority					
Operation and Maintenance	$ 82,000	$ 76,000	$ 76,500	$ 77,000	$ 77,500
Total, Obligational Authority	$ 82,000	$ 76,000	$ 76,500	$ 77,000	$ 77,500
Outlays					
Operation and Maintenance	$-44,844	$-76,700	$-81,300	$-59,300	$-59,000
Total, Outlays	$-44,844	$-76,700	$-81,300	$-59,300	$-59,000
Staffing					
Total FTE	219	219	219	219	219

1/ Does not reflect the proposed privitization of Western's power systems which may be implemented in future years.

WESTERN AREA POWR ADMINISTRATION
EFFECT OF NET BILLING AND OTHER FINANCING ARRANGEMENTS ON APPROPRIATION REQUIREMENTS FOR PURCHASE POWER AND WHEELING
(In thousands of dollars)

Fiscal Year 1986

Area/Project	Total Purchase Power & Wheeling Program	FY 1984 Carryover	Net Billing	Other Financing Arrangements	Appropriation Requirement
Sacramento Central Valley	$158,075	$-25,873	$-14,241	$-97,225	$20,736
Boulder City Parker Davis	1,600	---	---	---	1,600
Billings Pick-Sloan Missouri Basin Program	17,148	-1,097	-11,242	---	4,809
Loveland Fryingpan-Arkansas	1,544	-2	---	---	1,542
Pick-Sloan Missouri Basin Program	1,821	-13	-166	---	1,642
Grand Total	$180,188	$-26,985	$-25,649	$-97,225	$30,329 1/

1/ Based on the assumption that $16,371,000 of unobligated carryover funds from FY 1986 new appropriations of $46,700,000 will be available at the end of FY 1986 and carried forward to offset appropriation requirements in FY 1987.

WESTERN AREA POWER ADMINISTRATION
EFFECT OF NET BILLING AND OTHER FINANCING ARRANGEMENTS ON APPROPRIATION REQUIREMENTS FOR PURCHASE POWER AND WHEELING

(In thousands of dollars)

Fiscal Year 1987

Area/Project	Total Purchase Power & Wheeling Program	FY 1985 Carryover	Net Billing	Other Financing Arrangements	Appropriation Request
Sacramento					
Central Valley	$181,431	$-36,971	$- 9,890	$-68,463	$66,107
Boulder City					
Parker Davis	1,600	---	---	---	1,600
Billings					
Pick-Sloan Missouri Basin Program	18,507	---	-12,671	---	5,836
Loveland					
Fryingpan-Arkansas	1,542	---	---	---	1,542
Pick-Sloan Missouri Basin Program	1,820	---	-186	---	1,634
Grand Total	$204,900	$-36,971 1/	$-22,747	$-68,463	$76,719

1/ Assumes that $20,600,000 of unobligated FY 1985 carryover funds currently deferred and $16,371,000 of unobligated FY 1986 new appropriations will be carried forward into FY 1987 to offset requirements for new FY 1987 appropriations.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION
FY 1987 OUTLAY ESTIMATES [1]
BY CATEGORY
(Dollars in thousands)

	Fiscal Years						
Category-B&R Code	1985	1986	1987	1988	1989	1990	1991
Construction, Rehabilitation, Operation, and Maintenance, CF0301........................	$189,957	$268,938	$281,709	$280,700	$321,400	$430,700	$508,100
Colorado River Basins Power Marketing Fund (Net), CF0302........................	-69,561	-56,144	-44,844	-76,700	-81,300	-59,300	-59,000
Total Outlays	$120,396	$212,794	$236,865	$204,000	$240,100	$371,400	$449,100

---

[1] Does not reflect the proposed privitization of Western's power systems which may be implemented in future years.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION
FY 1987 PROPRIETRY RECEIPTS ESTIMATES 3/
BY ACCOUNT

(Dollars in thousands)

Account - Account No.	Fiscal Years 1985	1986	1987	1988	1989	1990	1991
Sale and Transmission of Electric Energy - Falcon Dam, 2245	$ 39	$ 32	$ 37	$ 37	$ 37	$ 37	$ 37
Sale of Power and Other Utilities not Otherwise Classified, 2249	30,203	25,253	27,900	27,900	25,800	27,800	27,700
Colorado River Dam Fund, Boulder Canyon Project, 5656 1/	8,169	--	--	--	--	--	--
Sale of Electric Energy - Bonneville Power Administration - Reclamation Fund, 5000.26 2/..............	(32,062)	(46,781)	(31,800)	(34,300)	(37,700)	(41,800)	--
Sale of Power - Western Area Power Administration - Reclamation Fund, 5000.27	279,141	249,423	321,200	319,700	311,400	303,500	327,400
Other - Reclamation Fund, 5000.28	1,778	1,958	3,000	3,000	3,000	3,000	3,000
Total Proprietary Receipts	$319,330	$276,666	$352,137	$350,637	$340,237	$334,337	$358,137

1/ After January 1, 1985, receipts from the Boulder Canyon Project are deposited to Dept. of Interior receipt account 14x5656.

2/ Information only. Reported as Proprietary Receipt by Bonneville Power Administration.

3/ Does not reflect the proposed privitization of Western's power systems which may be implemented in future years.

DEPARTMENT OF ENERGY
OBLIGATIONS FOR CONSULTANT AND SERVICES
FY 1987 CONGRESSIONAL BUDGET
WESTERN AREA POWER ADMINISTRATION

Appropriation Number	Consultant Category	OBLIGATIONS (Dollars in thousands) FY 1985	FY 1986	FY 1987
89X5068	Consultant Service Contracts	---	---	---
	Advisory and Assistance Contract	$577	$658	$635
	Personnel Appointments	---	---	---
	Totals	$577	$658	$635

Narrative Comments:

Obligations primarily support Western's conservation and renewable energy program activities, particularly in the area of technology transfer to Western's power customers. Many of these contracts are cooperative agreements. They are cost-shared with electric utility customers in Western's service area who are interested in furthering conservation and renewable resources activities. Such study activities involving load management, solar, wind, and other activities have the potential of collectively adding substantial electrical capacity to customers' utility systems or influencing electrical demand. Other contracts include furnishing geological and environmental data to help Western plan the best siting and design of transmission line structures and substations. Western also expects to continue some contractor effort in the areas of development and implementation of the maintenance information system, plus power rates and ADP studies, and support services for right-of-way management.

Program Contact: Larry Harvey
Telephone No.: FTS 327-1562

DEPARTMENT OF ENERGY
OBLIGATIONS FOR CONSULTANT AND SERVICES
FY 1987 CONGRESSIONAL BUDGET
WESTERN AREA POWER ADMINISTRATION

Appropriation Number	Consultant Category	OBLIGATIONS (Dollars in thousands) FY 1985	FY 1986	FY 1987
89X4552	Consultant Service Contracts	---	---	---
	Advisory and Assistance Contract	$491	$560	$583
	Personnel Appointments	---	---	---
	Totals	$491	$560	$583

Narrative Comments:

Obligations primarily support Western's conservation and renewable energy program activities, particularly in the area of technology transfer to Western's power customers. Many of these contracts are cooperative agreements. They are cost-shared with electric utility customers in Western's service area who are interested in furthering conservation and renewable resources activities. Such study activities involving load management, solar, wind, and other activities have the potential of collectively adding substantial electrical capacity to customers' utility systems or influencing electrical demand. Other contracts include furnishing geological and environmental data to help Western plan the best siting and design of transmission line structures and substations. Western also expects to continue some contractor effort in the areas of development and implementation of the maintenance information system, plus power rates and ADP studies, and support services for right-of-way management.

Program Contact: Larry Harvey
Telephone No.: FTS 327-1562

Departmental
Administration

DEPARTMENT OF ENERGY

FISCAL YEAR 1987 CONGRESSIONAL BUDGET REQUEST

DEPARTMENTAL ADMINISTRATION

VOLUME 5

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Department of Energy

Proposed Appropriation Language

Departmental Administration

For salaries and expenses of the Department of Energy necessary for Departmental Administration and other activities in carrying out the purposes of the Department of Energy Organization Act (Public Law 95-91), including the hire of passenger motor vehicles and official reception and representation expenses (not to exceed $35,000); [$410,366,000, all of which is available for fiscal year 1986 and shall] $151,082,000, to remain available until expended, [plus such additional amounts as necessary to cover increases in the estimated amount of cost of work for others notwithstanding the provisions of the Anti-Deficiency Act (31 U.S.C. 1511 et seq.): Provided, That such increases in cost of work are offset by revenue increases of the same or greater amount, to remain available until expended; Provided further, That moneys received by the Department for miscellaneous revenues estimated to total $244,228,000 in fiscal year 1986 may be retained and used for operating expenses within this account, and may remain available until expended, as authorized by section 201 of Public Law 95-238, notwithstanding the provisions of section 3302 of title 31, United States Code: Provided further, That the sum herein appropriated shall be reduced by the amount of miscellaneous revenues received during fiscal year 1986 so as to result in a final fiscal year 1986 appropriation estimated at not more than $166,138,000] together with not to exceed $251,947,000 to be derived from collections received as authorized by section 201 of Public Law 95-238, and which may be credited to this account, notwithstanding 31 U.S.C. 3302. (Public Law 99-141, making appropriations for energy and water development, 1986.

DEPARTMENT OF ENERGY

FISCAL YEAR 1987 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF ESTIMATES BY APPROPRIATION BY MAJOR ACTIVITY

DEPARTMENTAL ADMINISTRATION

BUDGET AUTHORITY IN THOUSANDS OF DOLLARS

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Request
Office of the Secretary	1,630	1,603	1,860
Board of Contract Appeals	378	384	356
General Counsel	10,021	9,715	9,953
Inspector General	21,708	18,158	21,092
Management and Administration	125,978	121,540	140,147
Operations Offices	89,786	88,848	94,222
Minority Economic Impact	2,408	2,596	1,789
Policy Analysis and System Studies .	7,041	7,448	7,855
Congressional Affairs	4,183	5,116	4,915
International Affairs	4,033	3,939	5,790
Policy and Management	795	708	---
Cost of Work for Others	115,704	143,543	115,050
Subtotal, Departmental Administration	383,665	403,598	403,029
Miscellaneous Revenues	-123,609	-161,743	-143,428
Revenues Not Associated with Cost of Work	-102,026	-82,485	-108,519
Subtotal, Departmental Administration	158,030	159,370	151,082
Use of Prior Year Balances and Other Adjustments	-29,053	-9,051	---
Savings from FY 84 Initiatives	-375	---	---
Total, Departmental Administration .	$ 128,602	$ 150,319	$ 151,082

Department of Energy

FY 1987 Congressional Budget Request

Adjustments to FY 1986 Appropriations

	FY 1986 Conference	General Reduction	Management Initiatives	Pay Cost Restoration*	FTE General Reduction	Gramm-Rudman-Hollings Reduction	Subtotal	Comparability Adjustments	Adj. Approp. Total
Departmental Administration									
Office of the Secretary	$ 1,643	$ -32	$ ---	$ 54	$ ---	$ -62	$ 1,603	$ ---	$ 1,603
Board of Contract Appeals	371	-1	---	27		-13	384	---	384
General Counsel	9,784	-29	---	325	---	-365	9,715	---	9,715
Inspector General	18,619	-91	---	325	--	-695	18,158	---	18,158
Management and Administration	141,608	-1,954	-14,501	1,788	-114	-5,287	121,540	---	121,540
OE..................................	132,308	-1,954	-14,501	1,788	-114	-4,940	112,587	---	112,587
P&CE................................	9,300	---	---	---	---	-347	8,953	---	8,953
Operations Offices	90,059	-339	---	2,491	---	-3,363	88,848	---	88,848
OE..................................	89,032	-339	---	2,491	---	-3,324	87,860	---	87,860
P&CE................................	1,027	---	---	---	---	-39	988	---	988
Minority Economic Impact	2,827	-153	---	27	---	-105	2,596	---	2,596
Policy Analysis and System Studies ...	7,427	-97	---	108	---	-277	7,161	+287	7,448
Congressional Affairs	5,197	-48	---	162	---	-195	5,116	---	5,116
International Affairs	4,758	-42	---	108	---	-177	4,647	---	4,647
Cost of Work for Others	149,110	---	---	---	---	-5,567	143,543	---	143,543
Subtotal, Departmental Administration	$ 431,403	$-2,786	$-14,501	$ 5,415	$ -114	$-16,106	$403,311	$ +287	$ 403,598
Miscellaneous Revenues	-161,743	---	---	---	---	---	-161,743	---	-161,743
Revenues Not Associated with Cost of Work	-82,485	---	---	---	---	---	-82,485	---	-82,485
Subtotal, Departmental Administration	187,175	-2,786	-14,501	5,415	-114	-16,106	159,083	+287	159,370

Department of Energy

FY 1987 Congressional Budget Request

Adjustments to FY 1986 Appropriations

	FY 1986 Conference	General Reduction	Management Initiatives	Pay Cost Restoration*	FTE General Reduction	Gramm-Rudman-Hollings Reduction	Subtotal	Comparability Adjustments	Adj. Approp. Total
Departmental Administration									
Addback of Proposed Rescission	$ -2,786	$ 2,786	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Savings from Management Initiatives (Prior Year Deobs)..................	-6,000	---	6,000	---	---	---	---	---	---
FY 1985 Deferral......................	-8,501	---	8,501	---	---	---	---	---	---
Transfer of Prior Year Balances.......	---	---	---	-5,415	---	---	-5,415	---	-5,415
FTE Clerical Reduction................	-3,750	---	---	---	3,750	---	---	---	---
FTE Clerical Addback from other Appropriations......................	3,636	---	---	---	-3,636	---	---	---	---
OE..................................	$159,447	$ ---	$ ---	$ ---	$ ---	$-15,720	$143,727	$ +287	$144,014
P&CE................................	10,327	---	---	---	---	-386	9,941	---	9,941
Total, Departmental Administration....	$169,774	$ ---	$ ---	$ ---	$ ---	$-16,106	$153,668	$ +287	$153,955

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW

Office of The Secretary

The Office of the Secretary assures the formulation, implementation, and articulation of energy policies, regulations and legislation as mandated by the President and enacted by law by Congress. This office serves as a focal point for ensuring that production, conservation and development of alternative energy sources adheres to United States energy policy and national security objectives.

The past year accomplishments and future year objectives are explained in each decision unit submitted by the Departmental program elements.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
OFFICE OF THE SECRETARY
Departmental Administration - Operating Expenses
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1985 Appropriation	FY 1986 Adjusted Appropriation	FY 1987 Base	FY 1987 Request	Request vs Base
Operating Expenses	$1,630	$1,603	$1,603	$1,860	$257
Staffing Total FTE's	36	31	31	31	0

Authorization: P.L. 95-91

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF CHANGES
OFFICE OF THE SECRETARY
(In thousands of dollars)

FY 1986 Appropriation Enacted	$1,603
- Increased salaries and benefits funding for an appropriate level of support for the Office of the Secretary	$228
- Increased funding for travel in support of National energy goals and Departmental program and management initiatives	$27
- Provide training funds	$2
FY 1987 Budget Request	$1,860

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
NARRATIVE JUSTIFICATION

OFFICE OF THE SECRETARY

The FY 1987 Budget is $1,860,000 and supports 31 FTEs. This level of funding represents an increase of $257,000 over the FY 1986 adjusted appropriation. These changes reflect increases in salaries and benefits of $228,000 to adequately fund 31 FTE's. This will ensure that adequate direction is provided to Departmental programs and the Secretary's immediate office. Travel is increased by $27,000 to $220,000 in order to provide an adequate level of funding for the Secretary to travel both internationally and domestically in support of National energy goals and Departmental program and management initiatives. The request for FY 1987 also reflects $2,000 to provide special training programs for selected members of the Secretary's immediate staff.

As the principal spokesperson on energy for the Department, and principal advisor to the President, this Office must consistently present clear, concise and thoroughly researched guidance that not only impacts consumers and industry, but the Nation. This involves the administration of a large Federal agency, coordinating complex and various related and non-related programs into a cohesive and unitized organization to provide the Nation with energy research, development, and demonstration of energy technology, the marketing of Federal power, energy conservation, the nuclear weapons program, regulation of energy production and use, and a central energy data collection and analysis program.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
BOARD OF CONTRACT APPEALS
DEPARTMENTAL ADMINISTRATION

(Tabular Dollars In Thousands. Narrative Material In Whole Dollars.)

	FY 1985 Appropriation	Adjusted Appropriation	FY 1987 Base	FY 1987 Request	Request Vs. Base
Board of Contract Appeals	$ 378	$ 384	$ 384	$ 356	$-1
Staffing, Total FTEs	7	8	8	8	+0

Authorization: P.L. 95-563

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF CHANGES
BOARD OF CONTRACT APPEALS
DEPARTMENTAL ADMINISTRATION

FY 1986 Appropriation Enacted	$ 384
Decrease In Program Direction	-28
FY 1987 Budget Request	$ 356

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
MAJOR ACTIVITY OVERVIEW

BOARD OF CONTRACT APPEALS

The Board of Contract Appeals resolves contract disputes and related matters involving the Department and its contractors in a quasi-judicial manner. This function is performed pursuant to the Contract Disputes Act of 1978. In addition, this Board, by delegation of authority from the Secretary, acts specifically as: The Contract Adjustment Board on applications for extraordinary contractual relief under Public Law 85-804; the Invention Licensing Appeals Board on appeals involving the patent rights of the Department; the Financial Assistance Appeals Board on disputes involving grants, cooperative agreements, loan guarantees and other financial assistance arrangements; and, the Patent Compensation Board pursuant to the Atomic Energy Act of 1954. The Board may also act to resolve other quasi-judicial matters as assigned by the Secretary.*

The purpose of the Board may be categorized as follows:

a. Serving the needs of the Department for a good and effective working relationship between the Department and its contractors, grantees, licensees, etc., by providing an impartial forum for inexpensive and speedy resolution of disputes.

b. In a quasi-judicial manner, providing a means for coordinating those actions taken by its officials which result in factual or legal disputes -- before a dispute is appealed to a court a law.

c. Conserving both Department resources and other public and private resources by reducing the need for litigation before the Federal Courts.

d. Assisting in maintaining the credibility of the Department through a Board chartered to provide impartial, fair resolution of disputes.

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* For example, the conduct of environmental hearings.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET
PROGRAM OVERVIEW

GENERAL COUNSEL

The goal of the General Counsel is to provide all necessary legal services to the Secretary and the Department including: Legal advice and review of actions encompassing the entire range of the Department's activities, with the exception of the FERC, and, the conduct of assigned programs and traditional legal functions such as litigation and the development of legislative proposals.

FY 1985 accomplishments include:

- Provided legal support to administrative and program offices.
- Conducted administrative and judicial litigation.
- Ensured consistency and legal sufficiency of Departmental regulations and proposed legislation affecting DOE.
- Administered and monitored employee conduct program activities.
- Conducted DOE's assigned program.

General Counsel Objectives for FY 1986 to FY 1987

The basic objective of the Office of General Counsel is to provide legal services to the Secretary and the Department. Specific objectives in addition to our wide ranging current responsibilities include:

- Ensure the effective and efficient implementation of the Competition in Contracting Act so that the Department's multi-billion dollar procurement activities are not unduly disrupted or hindered.
- Provide all legal resources necessary to assure the effective implementation of the Nuclear Waste Policy Act's provisions, culminating in the eventual selection of sites for the nation's first nuclear waste repositories.
- Bring the remaining EPAA programmatic litigation to a successful conclusion completing the action begun by the President in 1981 when petroleum price and allocation controls were abolished.

- Support Departmental efforts concerning re-enactment of the Price Anderson Act which governs liability for nuclear incidents.
- Complete implementation of Regulatory Reform initiatives in order to minimize the burden of government regulations.
- Support Departmental initiatives to deregulate domestic natural gas markets so that competition can achieve equitable prices for consumers.
- Implement the President's Patent Policy so that Departmental intellectual property can be utilized fully by the public.
- Provide legal expertise to assure timely and equitable privitization of Federal commercial activities.
- Ensure that successful defenses are mounted in suits against the Department.

Department of Energy

OFFICE OF GENERAL COUNSEL

FY 1987 Congressional Budget Request

LEAD TABLE
(in thousands of dollars)

General Administration	FY 1985 1/ Appropriation	FY 1986 Adjusted Appropriation	FY 1987 Base	FY 1987 Request	Reques vs. Ba
Program direction					
Support funding..........	1,407	1,107	1,107	1,198	+ 91
Personnel expenses........	8,599	8,608	8,608	8,755	+147
Total operating expenses....	10,006	9,715	9,715	9,953	+238
Staffing Level	186 2/	166 2/	166	166 2/	

Authorization: DOE Act, Pub. L. 95-91

1/ Reflects transfer of $1,991,000 and 34 positions to the Economic Regulatory Administration to conduct enforcement litigation arising from the Emergency Petroleum Allocation Act.

2/ Departmentally approved staffing levels which do not reflect 4 FTE from the Nuclear Waste Fund for each of the fiscal years 1985, 1986 and 1987.

Department of Energy

OFFICE OF GENERAL COUNSEL

FY 1987 Congressional Budget Request

SUMMARY OF CHANGES
(dollars in thousands)

FY 1986 Budget request	$ 9,715
- Restore 5% pay reduction	+325
- Inflation adjustment for support services and travel (1.042% and 4% respectively)	+ 48
- Decrease in personnel expenses as a result of anticipated reduction in average grade and salaries	-135
FY 1987 Departmental request level	$ 9,953

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET
NARRATIVE JUSTIFICATION

In order to provide legal opinions, advice and services to all DOE activities (except FERC) $9,953,000, is requested to discharge assigned responsibilities of the Office of General Counsel during FY 1987. This is an increase of 238,000 over the FY 1986 level of $9,715,000. This amount excludes funding for FTE resource requirements associated with the implementation of the Nuclear Waste Policy Act. Resources for the Nuclear Waste Policy Act, P.L. 974-25, are provided under the justification for the Nuclear Waste Fund. Funds available for legal program activities are described below:

> Personnel Expenses - This level of funding includes $8,795 for salaries and expenses. These funds will be utilized for personnel compensation, personnel benefits, and travel, for a staffing level of 166 total FTE's for FY 1987, exclusive of 4 FTE from the Nuclear Waste Fund.

The General Counsel's expected utilization of the resources at the OMB Request Level and the benefits derived from such funds are more specifically explained and justified below:

> Deputy General Counsel for Programs - Of the total available, approximately 27 total FTE's or 16 percent will be utilized to perform legal work pertaining to the functions assigned to the Deputy General Counsel for Programs. These resources will be utilized in areas which include and directly pertain to:

- DOE's defense program areas and to DOE's programs involving nuclear energy, facility security, safeguards and international agreements concerning nuclear and non-nuclear energy research development - 8 FTE.

- Natural gas and mineral leasing issues, including natural gas legislation, natural gas imports and exports, natural gas regulations leasing of energy minerals and Federal lands coastal zone management, and land withdrawal matters - 7 FTE.

- Intervention in State and Federal regulatory proceedings to further designated DOE program and national energy policy objectives in electric and other regulated energy areas. Representation of the interests of DOE operations and research laboratories as utility customers in seeking to acquire electricity, and gas services at the lowest possible cost - 6 FTE.

- Federal Power Marketing activities - 3 FTE.

- Management, supervision and coordination of functions and activities assigned to the Deputy General Counsel for Programs 3 FTE.

Deputy General Counsel for Legal Services - Approximately 64 total FTE's or 38 percent of the resources provided will be allocated to the Deputy General Counsel for Legal Services for the conduct of assigned programs and for rendering legal support, advice and services to the Department in areas directly pertaining to:

- Domestic and international energy emergency preparedness and response, including statutorily required monitoring of certain International Energy Agency activities; domestic production, storage, refining and distribution of petroleum as part of the Naval Petroleum Oil Shale Reserve, and Strategic Petroleum Reserve Programs; Naval Petroleum Reserve; and imports and exports of petroleum, electricity and coal - 9 FTE.

- Conduct of the intellectual property program arising out of the Department's proprietary interests in patents, copyrights, trademarks and other intellectual property, including the implementation of modifications intended to accelerate the appropriate commercialization of the results of agency research and development - 14 FTE.

- Procurement contracts and financial assistance instruments to assure legal sufficiency and regulatory compliance; DOE's financial incentive activities; and legal services for nonnuclear R&D and program activities - 20 FTE.

- General Departmental legal activities, including legal advice in connection with matters arising under the Freedom of Information Act, the Privacy Act, the Federal Advisory Committee Act, as well as matters involving EEO, fiscal administration, delegation of authority, personnel, tort claims and investigations of the Inspector General - 10 FTE.

- Establishment and administration of the Department's employee conduct programs arising from the DOE Organization Act and the Ethics in Government Act and to provide oversight of DOE's intelligence activities - 8 FTE.

- Management, supervision and coordination of functions and activities assigned to the Deputy General Counsel for Legal Services - 3 FTE.

Deputy General Counsel for Litigation - Approximately 28 total FTE's or 16 percent of the total available will be utilized for discharging legal functions and responsibilities assigned to the Deputy General Counsel for Litigation. These resources will discharge legal functions pertaining to:

- General litigation, in conjunction with the Department of Justice, involving challenges to the Department's non-regulatory programs and activities, such as litigation concerning claims of radiation injury, tax, etc. - 17 FTE.
- Special litigation, in conjunction with the Department of Justice involving challenges to Departmental actions of a programmatic nature, such as termination of EPAA programs, Fuel Use Act challenges, etc. - 8 FTE. In addition, one FTE is anticipated from the Nuclear Waste Fund.
- Management, supervision, and coordination of the activities and functions assigned to the Deputy General Counsel for Litigation - 2 FTE.

Deputy General Counsel for Legislation and Regulation - Approximately 36 total FTE's or 21 percent of the total resources available will be allocated to discharge functions or perform tasks falling within the organizational area of responsibility of the Deputy General Counsel for Legislation and Regulations. These resources will be utilized to provide legal support and services directly pertaining to:

- Environment, health and safety, and Fuel Use Act (FUA) programs administered by the Department - 9 FTE. In addition, 3 FTE is anticipated to be funded from the Nuclear Waste Fund.
- Legislative drafting and review, coordination, and clearance, of legislative matters of concern to the Department - 12 FTE.
- DOE's review, oversight and coordination of the regulatory processes of energy conservation and renewable energy programs and activities - 9 FTE.
- Management, supervision and coordination of legal activities assigned to the Deputy General Counsel for Regulations - 3 FTE.

Other FTE Resource Requirements - Approximately 15 total FTE's or 9 percent of the total resources available will be utilized to discharge the executive direction and administrative support functions:

- Executive level direction, supervision and management of all activities assigned to General Counsel - 9 FTE.

- Provision of administrative support and services - 6 FTE.

Support Funding - Of the total funds available $1,198,000 will be utilized to cover estimated costs for the following General Counsel activities: domestic and foreign patent activities ($960,000); law library operations and related activities ($145,000); legal transcript services and the publication of legal documents ($75,000); and, funds for General Counsel's training activities ($18,000).

Department of Energy
FY 1987 CONGRESSIONAL BUDGET
MAJOR ACTIVITY OVERVIEW

Office of Inspector General

The purpose of the Office of Inspector General (OIG) is stated in Section 208 of Public Law 95-91, the DOE Organization Act. Section 208 (b) of the act lists the duties and responsibilities of the Inspector General in obtaining the goal of the Office.

(b) It shall be the duty and responsibility of the Inspector General -

(1) to supervise, coordinate, and provide policy direction for auditing and investigative activities relating to the promotion of economy and efficiency in the administration of, or the prevention or detection of fraud and abuse in, programs and operations of the Department;

(2) to recommend policies for, and to conduct, supervise, or coordinate other activities carried out or financed by the Department for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations;

(3) to recommend policies for, and to conduct, supervise, or coordinate relationships between the Department and other Federal agencies, State and local governmental agencies, and non-governmental entities with respect to (A) all matters relating to the promotion of economy and efficiency in the administration of, or the prevention of fraud and abuse in, programs and operations administered or financed by the Department, and (B) the identification and prosecution of participants in such fraud or abuse;

(4) to keep the Secretary and the Congress fully and currently informed, by means of the reports required by subsection (c) and otherwise, concerning fraud and other serious problems, abuses, and deficiencies relating to the administration of programs and operations administered or financed by the Department, to recommend corrective action concerning such problems, abuses, and deficiencies, and to report on the progress made in implementing such corrective action; and

(5) to seek and coordinate his actions with the actions of the Comptroller General of the United States with a view to avoiding duplication.

AUDITS

The OIG Office of Audits is responsible for the internal auditing of the Department of Energy. The mission includes contract audits and expanded scope audits in the areas of Financial and Compliance, Economy and Efficiency, and

Program Results as defined by the governing audit standards established by the General Accounting Office. The Office of Audits' goal is the prevention of waste, fraud and mismanagement. The Office of Audits independently evaluates DOE's operating and administrative programs including an assessment of the Department's financial and management control systems and procedures. Recommendations are made to management to correct areas where improvements are needed.

We view auditing as a service to management. Our audit program is designed to produce efficiencies and savings for each dollar spent. Beyond the benefits of good audit planning underlying our audit program, the effectiveness of our audit organization in assisting management depends largely on how well management understands the IG's role and how well audit recommendations are received and implemented. DOE Order 2320.2 ensures that a Secretarial position will be taken on all recommendations reported. When these recommendations are acted upon by managers, efficiencies and dollar savings accrue to DOE, and management can be credited with improving its effectiveness.

Our concern with effective planning has dictated that we carefully consider in advance of projected audit program implementation: (1) the DOE audit universe subject to our review; (2) the relative risks in waste, fraud and mismanagement associated with the various DOE programs and activities; and (3) the personnel and skill resources that we have at our disposal. In this manner, we have based our long and short term audit program planning on (1) selection of audit areas that will produce the maximum return for the resources expended, and (2) use of our available audit resources to the fullest extent.

Fiscal Year 1985 accomplishments included the issuance of 200 audit reports with a dollar impact of $40,765,803. Dollar impact of audits includes recurring annual savings, one-time efficiencies, recoverable amounts and cost avoidance. Dollar impact figures are:

Recurring Annual Savings	$22,986,900
One-time Efficiencies	$ 1,252,649
Recoverable Amounts	$ 8,487,168
Cost Avoidance	$ 8,039,086
	$40,765,803

Details of these figures are shown below.

Recurring Savings

Subject	Per Annum
Western Area Power Administration's Purchase of a Jet Fixed-Wing Aircraft	$129,000
Action Required to Adequately Control Overtime Compensation at the Department of Energy	$500,000
Segregation of Transuranic Waste at Rocky Flats Plant	$4,600,000
Bonneville Power Administration's Purchase and Use of Fixed-Wing Aircraft	$157,900
Overtime Costs for E.I. DuPont de Nemours and Company Employees at Savannah River	$1,600,000
Collection of Windfall Profit Tax for Crude Oil Sales at the Naval Petroleum Reserves in California	$500,000
Assessment of Charges under the Hydropower Licensing Program	$15,500,000
	$22,986,900

One-Time Efficiencies

Subject	Amount
Lease versus Purchase Determinations at the Chicago Operations Office	$55,097
Commercial Timesharing Costs at the Lawrence Livermore National Laboratory	$133,552
Acquisition of Computer Equipment for the Department's Accounting System	$699,000
Oil Overcharge Funds Distributed to the States of Colorado and Washington	$365,000
	$1,252,649
TOTAL (recurring and one-time)	$24,239,549

Management Commitments to Recover Funds

DOE	DCAA	TOTAL
$6,786,141	$1,701,027	$8,487,168

Cost Avoidance Dollar Accomplishments

DOE	TOTAL
$8,039,086	$8,039,086

Fiscal Year 1985 Total Dollar Impact $40,765,803

- Examples of audits completed in Fiscal Year 1985 which resulted in management's commitment to more efficiently use funds and/or seek fund recoveries are:

  --Hydropower Licensing Program at the Federal Energy Regulatory Commission (FERC). FERC was not always billing licensees for administrative and land use charges as required by the Federal Power Act. Consequently, over $6,000,000 in costs incurred by the Forest Service and four other Federal agencies in administering the hydropower licensing program were not identified by or billed by FERC. The audit also disclosed that increases in land values over the last several years had not been reflected in FERC's current land use charges. We found that the use of current land values and interest rates could result in an additional $15,500,000 annually in billings to hydropower licensees. FERC officials agreed with our recommendations and took prompt action to (1) identify all Federal agencies incurring hydropower licensing costs and to task these agencies to provide appropriate evidence of these costs so that hydropower licensees could be billed accordingly and (2) revise Federal regulations to provide for land use charges to licensees of hydropower projects based on current fair market values and long-term Government borrowing rates.

  --Nuclear Waste Disposal Practices at Rocky Flats. This audit disclosed that the Department could save an estimated $4,600,000 by properly segregating and separately disposing of high-level and low-level nuclear waste. Low-level waste can be safely disposed of in shallow burial grounds at a significantly lower cost than the disposal of TRU. The audit noted that the Rocky Flats Plant was disposing of all nuclear waste as if it were the more hazardous TRU, resulting in higher overall disposal costs.

  --Overtime Compensation at the Department of Energy. This audit showed that weaknesses in the control of overtime practices cost the Department between $500,000 and $1,000,000 annually. DOE employees paid by the Headquarters Payroll Office averaged over $80,000 in overtime compensation each pay period from the beginning of 1982 through mid-1984. During the first 12 pay periods of 1984, one percent (84) of the employees received about 30 percent of total overtime compensation paid. Overtime approval procedures were not consistently followed, unnecessary overtime was scheduled, and internal controls were circumvented when payroll units failed to follow prescribed procedures. These weaknesses led to overtime abuses, including employees being paid overtime when no work was performed. Recommended actions included recovery of improper overtime compensation and modification of procedures and strict adherence to those procedures to prevent the continuation of such abuses.

--Audit of Selected Employee Relocation Payments. The review showed that $438,000 in billing adjustments had not been made as promised by Boeing. Although the Government had recovered $779,000 since the initial audit, management agreed to seek recovery of the remaining relocation costs and associated G&A expenses.

--Audit of the Department's Program for Making Contract Postaward Audits for Verifying Cost or Pricing Data. This audit revealed that such reviews were not being made. Based on a judgment sample, we selected 12 DOE contracts for postaward review and found six instances of apparent defective pricing with a total value of $442,000. We conservatively estimated that the implementation by DOE of a comprehensive program of making defective pricing reviews could result in a savings of over $1,000,000 per year.

Other Fiscal Year 1985 accomplishments include:

° Completed a major study of DOE audit needs and the resources required to meet those needs. The budget-based study provided a basic framework of information and recommendations as well as supporting methodology which is used to develop both long and short range plans for all audit work to be done under the general direction of the Inspector General.

° Developed and published the Department's fourth fully integrated annual workplan for all audits in Fiscal Year 1986. This plan includes audits by the Inspector General's Office and audits performed by the internal audit staffs of the contractors that operate the Department's Government-owned contractor-operated (GOCO) facilities.

° Continued responsibility for the Department's interaction with the Defense Contract Audit Agency (DCAA) and the Department of Health and Human Services on audits done for the Department by those agencies. In the case of the DCAA, about 250 preaward and postaward contract audits were completed in FY 1985. Regarding the postaward audit component, the Department reported management commitments to save over $1,700,000 in FY 1985 based on the results of the DCAA audits.

- Developed four new procedural manuals--Contract Audit, Audit Report, Audits of Federally Assisted Programs and Integrated Contractor Audit Manual--designed to standardize and improve the quality of our audit procedures and audit reports. The Integrated Contractor Audit Manual merits special note. This manual is designed to provide guidance for planning and making audits of the Department's integrated contractor operations. Through the development and publication of pertinent audit standards and audit programs, we have established a Departmentwide approach to audit the nearly fifty integrated contractors, irrespective of the audit organization performing the audit. These audits address specific integrated contractor functions such as cash management, materials management, procurement, support services, cash distribution and product cost system, and budget process and execution.

- Developed an Audit Information Management System (AIMS) designed to meet the unique information needs of the Office of Audits. This system, keyed to budget and planning codes, permits tracking of audit progress and status and comparison to audit program planning. It also includes information necessary to manage contracted audit services.

- Assumed responsibility for the annual financial and compliance audits of the Department's Uranium Enrichment Services Activity. This activity is responsible for worldwide commercial sales of enriched uranium valued at about $2,000,000,000 per year. The objectives of the audits are to certify the accuracy of the operating statements for the activity and to render an opinion as to the adequacy of the internal controls over the financial activities of the Uranium Enrichment program.

- Completed financial and compliance audits of 25 of the Department's 44 integrated contractors. Audits of 15 additional integrated contractors were in process or nearing completion at the end of the fiscal year. These audits provided assurance to the respective operations office managers and contracting officers that the cost incurred by the contractors were in accord with the terms of the contract. These audits also disclosed situations in which accounting controls were weak, incomplete or were not functioning as described. Specific audit emphasis was placed on such areas as check disbursements, access to assets, recording of transactions, cost controls and general accounting and financial reporting. These financial and compliance audits are of critical importance to the Department since the integrated contractors incur an annual cost of $7,000,000,000 which is reimbursed by the Department.

- Initiated reviews and audits of various Departmental financial and accounting systems and the automated components of these systems. This included a review of the Departmental Integrated Standardized Core Accounting System, the Departmental Payroll/Personnel System, and the Department's Business Management Information System.

- Made 20 desk reviews and quality assurance reviews of audit reports of grant instruments awarded by the Department and by other Federal agencies. These audits, performed by public accountants and state auditors, addressed key financial controls of the grantee agencies. This included financial statements, internal controls and implementation of grant compliance requirements. In addition, an audit was performed jointly by the DOE IG and the Department of Interior of grants awarded to the Virgin Islands' Government and to schools and hospitals in the Virgin Islands. Through 1984 about $3,900,000 of such grants had been awarded by the Department.

The major audit objectives for FY 1987 are presented below, without priority ranking. The objectives are as follows:

- To close some of the gaps in audit coverage of DOE's major programs and functions such as Defense Programs which in FY 1985 are expected to account for over 50 percent of the DOE budget.
- To increase audit coverage of ADP systems procurement and use. DOE manages 1/5 of all Federal computers with 4,400 computers driving over 3,300 automated systems. DOE's ADP hardware investment approaches $1,000,000,000 with an ADP software investment of nearly $10,000,000,000.
- To sustain improvement in program planning support and resource analysis procedures by providing the appropriate interdisciplinary skills essential to more effective planning.
- To plan, schedule, prioritize and initiate specific audits identified by our newly activated strategic, operational and tactical audit targeting system. That system will assess the nature, scope, trends, vulnerability and risks in the DOE universe of programs and operations.
- To continue to procure audit support for contract audits and ensure that contractors respond to requests for contract audits promptly and effectively. Our goal is to complete preaward audits within 60 days of request, or sooner if needed, and complete closeout of cost-incurred audits within 120 days for small contracts and 160 days for larger contracts. Interim cost-incurred audits are planned on an annual basis for large, long-term contracts.
- To approve annually net expenditure vouchers for GOCO's.
- To comply with our oversight responsibility of assigned State Agencies and associated CPA firms in accordance with OMB Circular A-128 "Audits of States and Local Governments." Perform desk reviews of CPA audit reports and check an adequate sample of grant audits.
- To respond promptly to requests for audit support for criminal investigations and participate in selected proactive joint audit and investigative work.
- To improve statistical sampling and quality control processing/editing at Headquarters and in each region.
- To improve ADP auditing skills through the use of outside audit services and to improve internal staff capabilities. This will involve the use of advanced ADP techniques to gather and analyze audit evidence.

- To improve the quality and efficiency of audits by upgrading the expertise of the onboard audit staff through the use of available training programs and, as necessary, developing new programs of instruction that meet the specific and changing needs of auditors.
- To share DOE's audit expertise and experience in Governmentwide projects sponsored by the President's Council on Integrity and Efficiency.

INSPECTIONS

The Office of Inspections conducts technical inspections of the Department's scientific and engineering programs and projects, and defense related activities, including production and surveillance. These inspections have the purpose of determining whether or not costs can be reduced, or management improvements made, without impairing the objectives of the program or project. Efficiency and economy in the Department's high dollar value programs and operations can and have been accomplished. For example, during Fiscal Years 1981 through 1984, recommendations made by the Office of Inspections, with which management agreed and implemented, resulted in cost avoidances of approximately $134,000,000. This performance represents about a $35 return for each $1 it cost the Department to support the inspections program.

Fiscal Year 1985 accomplishments include:

- Specific Cost Avoidances - The Office of Inspections stresses the need for aggressive followup to ensure that agreed upon actions resulting from prior inspections are, in fact, implemented. Recent actions demonstrate the need for and the value of a positive, aggressive followup program.

  The pricing mechanism for Naval Petroleum Reserve crude oil that is being transferred to the Department of Defense and then exchanged for refined petroleum products was questioned by our staff. As a result of our recommendations, first made in early 1982, the exchange agreement was modified in January 1985. The price of the crude was raised, bringing the price in line with those of the Department's open market sales. The increased price per barrel resulted in over $5,000,000 increased revenue to the Department during FY 1985. Equally important, this price increase is now being passed on by DOD to its refiners, therefore representing an actual increase in revenue to the Government, not just an interagency transaction.

  The Office of Inspections also continued to follow up major recommendations resulting from our inspection of the Waste Isolation Pilot Plant. In this report we concluded that significant cost reduction opportunities were achievable without impairing the objectives of the program. Since our report was released in June 1984, management has recently taken action to reduce the project's total estimated cost by $75,000,000, $40,000,000 of which represents savings identified by the Inspector General.

- Completed Inspections - The Office of Inspections completed three major inspections in Fiscal Year 1985. The first inspection addressed potential cost avoidance in the range of $200,000,000 in the planned expansion of the microelectronics capability at the Sandia National Laboratory. We recommended that construction on a $41,000,000 project be placed on hold and that a study of Sandia's long-term mission in the radiation-hardened microelectronics field be undertaken. Management did not accept our recommendations. We continue to believe that, by proceeding with the construction of the Radiation-Hardened Integrated Circuits Facility as planned, the Department has missed an opportunity to avoid unnecessary spending and to redirect Sandia's activities into more productive efforts. The second inspection addressed facilities revitalization projects at Sandia National Laboratory. Almost $127,000,000 in new facilities was proposed for weapons research and development upgrades without considering less costly alternatives such as refurbishing or modernizing existing facilities. As a result of our report, Defense Programs will require that facilities being requested after FY 1986 will be fully justified in light of other alternatives, and further, that these other alternatives, and the reasons for which they were not selected, will be fully documented. The third inspection was a classified assessment of nuclear safeguards and security at four DOE weapons facilities plus the Department's transportation system. Beyond the 97 actual findings that emerged and are in process of being corrected, we developed a unique methodology that will greatly impact future assessments in the allocation of some $2,000,000,000 in resources for improving security. Security personnel have indicated that this methodology represents a major contribution to their approach in addressing this complex problem, has already saved some development costs, and has the potential to introduce significant cost savings when integrated into their planned program for security upgrades. A fourth major inspection, which is in the process of being completed, addresses the Department's nuclear weapons testing program. In this report we are questioning the overall rationale and need for the planned nuclear weapons test revitalization program estimated to cost $600,000,000. Our review of the current capability of the weapons test complex has led to a conclusion that significant reductions in the planned revitalization program could be made without impacting the objectives of the program.

In addition to these inspections, the Office of Inspections has been responsive to citizen requests for information about Departmental programs. We have recently completed an indepth evaluation of enhanced oil recovery procedures at the request of a private citizen. Earlier this year we completed an evaluation of the Department's Gas Centrifuge Enrichment Program, also at the request of a private citizen. The Office of Inspections considers that being responsive to public requests for information is a significant element of our mission.

The major objectives of the Office of Inspections for Fiscal Year 1987 are as follows:

- To continue to improve use of the analytical hierarchy process for selecting programs and operations to be inspected.

- To develop an improved capability for analyzing systemic issues applicable to a broad range of Department programs.

- To reduce the time the professional staff needs to spend on a given inspection effort by using contractor personnel for preinspection survey and data collection.

- To further improve the inspections capability by adapting program and management evaluation methodologies being used by the private sector.

- To continue upgrading and sharpening the skills of the professional staff by providing increased opportunities for selected, specialized training.

- To direct more attention to analytical systems being used by the Department in support of major decisions affecting the technical quality or cost of programs.

INVESTIGATIONS

The Office of Investigations supervises, coordinates and provides direction for investigative activities relating to the promotion of economy and efficiency in the administration of, or the prevention or detection of waste, fraud or mismanagement in the programs and operations of the Department.

Fiscal Year 1985 accomplishments included six cases that resulted in seven convictions. Total investigative efforts resulted in recoveries totaling $167,094.

- Examples of some investigative cases follow:

  - A principal contractor was indicted in a United States District Court on 19 counts of violations of two sections of U.S. Code Title 18 (Crimes and Criminal Procedures) and the contractor's affiliate corporation was debarred. In December 1984 the Department issued notice to the contractor that effective February 1, 1985, he, as an individual, would be debarred from conducting business with the Department for a period of five years and that the previous debarment of his affiliate corporation scheduled to terminate October 18, 1985, would be extended until the contractor's debarment was terminated.

  - In two cases involving abuse and misuse of the Federal Telecommunications System (FTS), three DOE employees acknowledged that they had used the FTS to make personal long distance calls and voluntarily repaid the Department. Both cases were also referred to the appropriate supervisors for action.

  - An official was indicted for embezzling DOE funds by inflating the price of storm windows, doors and other weatherization materials sold to a Community Action Group. A second official was indicted for receiving money representing discount credit for weatherization materials purchased on his authority. Both individuals pled guilty and were sentenced. One was given a 2-year suspended sentence, three years probation, and required to make restitution of $15,956. The other was likewise given a 2-year suspended sentence, three years probation, and required to make restitution of $4,898.

  - One of our investigations concerned a $150,000 fixed price contract entered into by DOE with a company to conduct a test to recover energy from municipal waste. Our investigation disclosed that the contractor might have misrepresented facts in an effort to obtain funds. Our investigation sparked thorough contractor operation reviews by program and procurement officials and resulted in a revised work statement and a cost savings of $75,937.

- In another investigation, a DOE contractor was alleged to have directed company employees to charge blocks of time to a DOE contract, even though the employees had not worked on the contract. As a result of our investigation, the contractor agreed to reimburse the Department $14,517 and a check for that amount was subsequently received.

- A travel voucher submitted by an employee when transferred to a new duty station claimed costs which appeared to be excessive, unreasonable and possibly fraudulent. Our investigation disclosed that the employee had submitted a claim for expenses of $14,352 and that $8,999 of that amount was claimed for 30 days temporary lodging and meals. Subsequently, $5,100 of the $8,999 claim by the employee was disallowed and $3,051 was withheld from the employee's retirement fund to be applied against an outstanding travel advance.

- We looked into the alleged misuse of official Government vehicles by a senior official. Our investigation disclosed that the official had used Government vehicles to attend functions not directly related to the narrow scope of the employee's official activities. The senior official voluntarily reimbursed the Government $492.

- One of our investigations resulted in a DOE employee being terminated from employment. In addition, an amount of $337 for unauthorized use of official telephones was offset from the employee's lump sum leave payment and two days of annual leave were deducted from the employee's accrued leave.

° Other recoveries included:

  - $8,000 to be repaid by a grantee and $25,000 to be repaid by the grantee's corporation in an incomplete project.

  - $494 settlement for a case involving falsification of personnel qualifications.

  - $322 repaid in a case involving abuse of FTS.

  - $310 reimbursement by a former DOE employee for unauthorized travel.

  - $38 reimbursement on meals by travelers to a conference.

The major objectives of the Office of Investigations for Fiscal Year 1987 are as follows:

° To develop an investigative case tracking system that identifies by appropriate analysis DOE programs or areas of activities that have historically been vulnerable to waste, fraud or mismanagement.

- To further implement a preventative investigative program that identifies recommendations to DOE managers for correction of systemic deficiencies that permit waste, fraud or mismanagement.
- To develop a program for identifying wrongdoing by Departmental contractors or grantees that may lead to their suspension or debarment.
- To develop those cases providing for monetary recoveries and/or penalties through civil action under the recently enacted Comprehensive Crime Control Act.

Accomplishments of these objectives will help fulfill the goals of applicable public laws, allow investigative resources to be used to their maximum potential, and alert pertinent Government agencies and the general public of abuses by contractors or grantees having financial relationships with the Government.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
OFFICE OF INSPECTOR GENERAL

(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1985 Appropriation	FY 1986 Appropriation	FY 1987 Base	FY 1987 Request	Request vs. Base
Inspector General					
Operating Expenses ...	$21,413	$18,158	$18,158	$20,842	+$2,684
Capital Equipment ...	295	---	---	250	+ 250
Total	$21,708	$18,158	$18,158	$21,092	+$2,934
Staffing					
FTEs	179	178	178	178	---

AUTHORIZATION: Section 208, Public Law 95-91

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
OFFICE OF INSPECTOR GENERAL

SUMMARY OF CHANGES
(In thousands of dollars)

FY 1986 Appropriation enacted	$18,158
Program increases and decreases:	
° Increase in salaries and benefits	+ 772
° Increase in travel	+ 309
° Increase in support services	+ 653
° Increase in contract audits	+ 2,033
° Increase in capital equipment	+ 250
° Decrease in DCAA contract support	- 1,083
FY 1987 budget request	$21,092

NARRATIVE JUSTIFICATION

INTRODUCTION

The Office of Inspector General's FY 1987 request is for $21,092,000, an increase of $2,934,000 above the FY 1986 request of $18,158,000. There are increases for salaries and benefits of $772,000, for travel of $309,000, for support services of $653,000, for contract audits of $2,033,000 and for capital equipment of $250,000. There is a decrease of $1,083,000 for DCAA contract support. The FTEs remain the same at 178. This decision unit reflects $333,000 in savings resulting from management initiatives in the areas of organization and staffing, administrative organization management and GS-11/15 grade reduction.

It should be noted that all of the budget estimates in this submission exclude any logistical support for field personnel. This support is to be budgeted for and provided by the field offices where OIG personnel are located.

AUDITS

The FY 1987 budget request for the Office of Audits is based on the comprehensive Audit Needs and Resource Assessment Study that was completed during FY 1985.

Five years of Departmental budgets and audit reports were analyzed. The audit universe was coded into 966 topics in program categories, such as Atomic Energy Defense, and 2,212 topics in cross-cutting functional categories, such as procurement. Then an estimate was made of the resources required to audit this complex array of categories. Staffing requirements for FY 1987 were specifically addressed in a followup to the major study.

The Office of Audits staffing stands at 99 full time equivalents (FTEs), with 44 additional staff-years of contracted audit support. In FY 1985, the Office of Audits issued 200 audit reports (other than DCAA). It is expected that this level of output will be maintained in FY 1986 and FY 1987.

The requested level for FY 1987 is 99 FTEs, the same as FY 1986. This will allow a modified response to the recommendations of the resource study. The resource study prioritized the program audit categories according to six factors: dollar size, dollar trend, prior audit results, sensitivity, vulnerability to waste, fraud and mismanagement, and programmatic needs.

The Office of Audits would attempt to react to the resource study by shifting its focus toward some of the underaudited program categories. However, this will be difficult because many functional audits are virtually mandated by procurement requirements and by the Federal Managers' Financial Integrity Act.

The Office of Audits will provide audit services for the agencies for which audit cognizance is assigned to DOE. It is estimated that the cost of this activity is approximately $200,000 per year.

We have requested $4,500,000 for DCAA procurement audits.

INSPECTIONS

The Office of Inspections conducts inspections of the Department's scientific and engineering programs and projects and defense related activities, including production and surveillance. These inspections have the purpose of determining whether or not costs can be reduced, or management improvements made, without impairing the objectives of the program or project.

The Office of Inspections has demonstrated that substantial cost avoidance, savings or increased revenues to the Department can be achieved as a result of the inspections process. In Fiscal Year 1985 alone, the Office of Inspections has claimed over $45,000,000 in savings (management commitments to more efficiently use funds) arising from inspections of the Waste Isolation Pilot Plant ($40,000,000) and the Naval Petroleum Reserves ($5,000,000). Going back further, during Fiscal Years 1981 through 1984, recommendations made by the Office of Inspections, with which management agreed and implemented, resulted in cost avoidance, savings or increased revenue of approximately $134,000,000, or a return of $35 for each $1 it cost the Department to support the inspections program. The following represents the type programs from which these savings were realized.

A Fiscal Year 1984 cost avoidance of $40,000,000 stemmed from our staff questioning the costs associated with the construction of Phase I of the Defense Waste Processing Facility at the Savannah River Plant. We recommended that an independent cost estimate be made of the prime contractor's estimate. The analysis resulted in a decrease of $40,000,000 in the estimated cost of the facility.

The Fiscal Year 1983 cost avoidance stemmed from three major inspections. First, the inspection of the Department's High-Level Nuclear Waste Immoblization Program resulted in a $7,000,000 savings. Our inspectors questioned the efficacy of spending this amount of money on the Alternate Waste Form Program. Management reviewed the requirement for this program and concurred with our recommendation. By doing so, they released $7,000,000 dedicated to this effort. Second, the inspection of the Department's Uranium Mill Tailing Remedial Action Program resulted in a cost avoidance of $19,300,000. We recommended procedural changes in evaluating health risks prior to initiating remedial action activities. We also noted that an excessive amount of analysis and engineering was being required for isolated patches of contaminated soil, that the large number of documents being prepared appeared to be unnecessary, and that there appeared to be duplication of work among the several contractors. The cost reduction study, conducted by the program manager at our request, confirmed that our observations were valid. Third, an inspection, in early 1982, of the Exchange Contracts involving crude oil produced at the Naval Petroleum Reserve resulted in a recommendation that had the potential of increasing the revenue to the Department by about $17,000,000 annually. Our inspectors concluded that the Department was not receiving the fair market value for the crude oil in the exchange process. Management agreed. After lengthy negotiations and continuous followup by our office, the exchange agreement was modified in January 1985. The price of crude oil was raised, bringing the price in line with those of the Department's open market sales. The increased price per barrel resulted in over $5,000,000 in increased revenue to the Department during Fiscal Year 1985.

Fiscal Year 1982 cost avoidances of over $40,000,000 stemmed from six major inspections. Our inspection of the Solvent Refined Coal Demonstration Program (SRC-II) was a catalyst to the termination of the program and a cost avoidance of some $30,000,000. Recommendations made in other inspection reports pertaining to Solid Waste Development, Inertial Confinement Fusion, Advanced Isotope Separation and the Space and Terrestrial Program accounted for over $10,000,000 in additional cost avoidances.

The Fiscal Year 1981 cost avoidance of just over $8,000,000 resulted from four separate reports ranging from a $7,000,000 cost avoidance in the Department's Blind Shaft Borer Program to an actual savings of $183,295 in the Department's Woodburning Heating Equipment Survey.

The wide variety of programs and projects inspected, and the opportunities found for cost avoidances, attest to the value and the need for an aggressive inspections program.

The requested level of 19 FTEs will support a continuation of the currently established inspection program of spot checking DOE programs. However, we will attempt to improve our selection of inspection targets by using a support service contractor to perform the preinspection survey function which will free full time Government employees to dedicate more time to the inspection process. Assuming reasonable support service contractor support, the Office of Inspections will be able to accomplish the following:

- A minimum of eight proactive inspections of DOE programs and/or projects.
- At least four systemic analyses of problems which appear to be applicable to a broad range of DOE programs and/or projects.
- Four, and possibly six, responses to significant "hotline" complaints.
- Minimal capability to provide technical support to other elements of the Office of Inspector General, and to respond to requests from private citizens, the Congress and top level DOE management.

In order to maximize the productivity of the FTEs in the requested level, project timing and the vulnerability of programs or projects selected for inspection must be carefully analyzed. Critical factors, such as the following, must be carefully considered:

- The probability that the results of the inspection process will make a timely contribution to a major program decision.
- The existence of schedule delays.
- The existence of cost overruns.
- The rate of change in funding.
- Requests by DOE management for review of a particular program or issue.

INVESTIGATIONS

The mission of the Office of Investigations is to supervise, coordinate, and provide direction for investigative activities relating to the promotion of economy and efficiency in the administration of, or prevention or detection of fraud and abuse in, the programs and operations of the Department. One major objective of the Office of Investigations is appropriate response to all allegations of fraud and abuse received by either referral within the Department, referral to other agencies, administrative disposition, or investigation. The Office processes about 400 cases a year. At our current staff level, backlog (cases opened but uninvestigated), is about 40, or about 10 percent of cases processed; thus, completion of all cases may not be timely and participation with FBI and DOJ may be limited. Another major objective mandated by statute is prevention of fraud and abuse in the Department's programs and operations. At the current Fiscal 1985 staff level, we have been able to assign additional investigators to field locations and thus have been able to augment our preventative investigation program with respect to: the conduct of vulnerability surveys, proactive investigations (cases opened upon leads developed within the IG Office rather than upon response to allegations received), identification of Departmental contractors/subcontractors and grantees for possible suspension/debarment proceedings, and recommendations for programmatic corrections of systemic deficiencies in Departmental activities.

At the requested level of 35 FTEs, which is the same as the Fiscal Year 1986 level, we will continue to have an investigative presence at each of the Department's Operations Offices. We have been able to implement our plan to further decentralize our field operations by strengthening our Regional Investigative Offices at Oak Ridge and Albuquerque. Due to having additional field investigators we have been able to provide more training, particularly in the area of procurement. We continue to believe that the statute mandating both the detection and prevention of fraud and abuse can be most fully accomplished by additional investigative staff at our current field locations and other sensitive Departmental field offices.

OFFICE OF EXECUTIVE DIRECTOR

The Office of Executive Director provides executive direction and support to the Office of Inspector General. Functions include budget preparation, justification and execution; responding to Freedom of Information and Privacy Act requests, congressional and media inquiries; providing policy coordination, liaison with the Congress and affiliated professional and oversight groups, and the planning, coordination, and execution of special project activities for the Office of Inspector General; providing management and technical support; and personnel and administrative support services.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW

MANAGEMENT AND ADMINISTRATION

The Assistant Secretary, Management and Administration provides the essential management and administrative services necessary to support the Department's programs and missions in the most efficient, effective, and economical manner. The Assistant Secretary is the principal advisor to the Secretary on matters relating to the overall controlling and supporting functions for the Department's Headquarters and field components. Major areas of responsibility include organization, manpower and management systems; management and control of financial resources; personnel management, contractor industrial relations; equal employment opportunity and civil rights activities; automated data processing management and acquisition; management information system development; telecommunications management; in-house energy management; program/project, construction and facility management; procurement, contracting and Federal assistance agreements; budget, accounting, payroll and financial control and verification; A-76 review and approval; freedom of information; real and personal property management; printing and graphics services; building and engineering support; space management; small business and disadvantaged business utilization; Federal employee occupational safety and health program; and providing a centralized repository and coordination activity for the Secretarial principals of the Department; as well as performing and supplying administrative services.

Significant recent accomplishments:

- ° Issued new and revised policy directives for employment-related programs, position classification, position management, pay and leave administration, performance management and recognition, industrial hygiene, the medical program, and military reserves. Implemented changes in personnel programs as new regulations or procedures were established by OPM or by statute.

- ° Expanded PAY/PERS payroll support to eight additional field payroll offices: Albuquerque, Chicago, Idaho, Nevada, Oak Ridge, Richland, San Francisco and the Bonneville Power Administration. Support was also provided to three non-DOE agencies: the Inter-American Foundation, the African Development Foundation, and the Occupational Safety and Health Review Commission.

- ° Managed, administered and coordinated the DOE hiring freeze which was in place from June 6, 1984, to May 6, 1985, and resulted in the lowering of on-board DOE employment to levels that ensured that FTE usage was below target in FY 1984 and in accordance with FY 1985 program levels.

- ° Processed over 900 rules, proposed rules and notices for publication in the Federal Register.

- ° An intensified effort was made by the Executive Secretariat to improve the time required by Departmental elements to respond to Congressional correspondence. As a result, congressional overdue correspondence was reduced by 30%.

° Rate intervention at the Federal Energy Regulatory Commission resulted in a $1.1 million refund to the Los Alamos National Laboratory.

° Developed a new In-house Energy Management Ten-Year Plan (FY 1986-1995) which established goals and programs to reduce energy consumption.

° All DOE Headquarters telephone sets, data sets (MODEMS), speakerphones, and miscellaneous station equipment were purchased that had been previously leased from C&P telephone. This will result in an annual savings of approximately $1.8 million.

° A competitive procurement to replace the existing tariffed CENTREX telephone service was awarded and an estimated cost avoidance of $33.6 million is expected over the next 10 years. The replacement Information Exchange (IX) System will process both voice and data communications, as well as provide AOSS systems interconnection.

° The DOE-wide Departmental Integrated Standardized Core Accounting System (DISCAS) was successfully implemented. Among the tasks completed were the implementation of DISCAS for Headquarters, and the installation of the Hewlett-Packard 3000/68 in support of the DISCAS project.

° Established a training center to accommodate microcomputer, word processing, and all other ADP training for Headquarters. Also, established an AOSS training program covering the full range of microcomputers software products supported at Headquarters. Over 3,300 students attended these courses in FY 1985.

° The Department has successfully negotiated pension language in contracts with most of the operating contractors to ensure excess assets upon termination of the contracts will revert to DOE after contract pension obligations are fulfilled.

° Developed criteria and implemented a schedule for Department-wide conversion of letter-of-credit financing to the Treasury Financial Communications System (involved decelerating the disbursement of $8 billion annually).

° Carried out a comprehensive review of the DOE management and operating contracts, as required by the Federal Acquisition Regulations. This resulted in the authorization of 46 such contracts.

° Established goals for the timely closeout of inactive contractual instruments. These efforts resulted in contract closeout of more than 6,500 instruments. These activities will have reduced the inventory of inactive contracts by over 2,000 instruments from the fiscal year beginning balance.

° Improved Small and Disadvantaged Business participation in DOE procurement and financial assistance awards. During FY 1984, we achieved $2.3 billion in the small business programs and $292 million in the minority business programs. These figures rose to $2.5 billion and $293 million, respectively, for FY 1985.

Major Program Objectives for FY 1987:

- Continue to evaluate activities that have been contracted out to the private sector to be certain they remain economically justifiable as well as to identify and evaluate functions currently performed by Federal employees to see if the private sector could handle more economically.

- Issue revised and/or new policy directives for employment related programs, financial management, etc. to enable DOE to comply with statutory and regulatory requirements.

- Evaluate Federal Employee Occupational Safety and Health programs required by Executive Order 12196, Section 1-201(g) and 29 CFR 1960, and conduct analytical industrial hygiene studies.

- Identify Departmentwide priority training needs and design, develop and deliver the most effective and efficient developmental activities to satisfy those needs. Also, incorporate state-of-the-art training methodologies into new program designs and ongoing programs, as appropriate, in order to ensure the delivery of most effective and cost-effective training possible.

- Develop and deliver supervisory and managerial development programs that meet specific, identified job-related needs and comply with the requirements of Title 5 CFR and the Federal Personnel Manual.

- Publish technical maintenance manuals to enhance capabilities in such areas as roofing, road, utilities, lighting and other maintenance areas.

- Automate the field input to the real property maintenance crosscut budget, the General Design Criteria review process for construction programs, and other related areas. This will not only improve quality of data but will result in more timely receipt of information at Headquarters.

- Further implement provisions of the Department's new Ten Year In-House Management Plan which calls for 10% reduction in energy consumption per square foot by 1995.

- Perform an estimated 40 independent cost estimates on major acquisitions.

- Continue the central review and approval processes for ADP and MIS developments.

- Reduce the growth of health care costs at contractor facilities.

- Continue the automation of labor intensive functions by the use of various ADP equipment. The development of automated systems for the preparation of computer generated solicitations, contractual instruments and purchase orders will reduce the time and manpower required to carry out the procurement process. This will assist the Department in maintaining a quality acquisition program with minimal increases in staffing levels during the out-years.

- Continue to conduct organization and management reviews of all DOE elements and evaluate organizational effectiveness.

- Continue other management initiatives in such areas as cash management, audit follow-up, debt collection, paperwork reduction, etc. These reviews help to eliminate duplication, minimize costs and serve to assure that DOE is in compliance with the Administration's policies.

- Continue to improve departmental manpower management through programs that enhance productivity of the work force. Also, enhance present systems and initiate new systems that provide improved quantification, reporting, analysis and application of workload and manpower data. MA will continue to serve as the focal point for these activities.

- Implement and maintain a uniform Departmental system for documenting approved mission and function statements.

- Increase capability to independently assess and validate all new and ongoing projects, $5 million and above, to support the Department's top-level decision-making process, including the annual Internal Review Budget.

- Develop standardized cadastral system to ensure that maps, real estate documents and permanent acquisition records are preserved to furnish information and to protect the legal and financial rights of the Government in accordance with Chapter 31 of Title 44, U.S.C., Records Management by Federal Agencies.

- Develop the capability to provide accurate long range forecasts of requirements for expense funded maintenance, General Plant Project and Capital Equipment replacement.

- Further develop the capability for electronic data transfer and networking of automated systems between field and Headquarters to improve the quality of the Department's project and In-house energy consumption data bases and timeliness of related periodic reports to management.

- Continue to implement criteria and procedures for improving cost and schedule control systems of the Department's management and operating contractors to enhance control and visibility of project performance.

- Continue to enhance the Departmental ADP and MIS Long-Range Plans and the management review program concept as a means to evaluate and improve DOE management of ADP resources.

- Continue the Department's program to carry out the provisions of the Competition-in-Contracting Act. This Act has new provisions concerning solicitation requirements, noncompetitive procurement execution and bid protests. It also directed the establishment of Competition Advocates throughout the Department. The Act has fundamentally changed the way government contracting is carried out and considerable resources will be expended toward this effort in the future years.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
MANAGEMENT AND ADMINISTRATION
Departmental Administration - Operating Expenses
Departmental Administration - Plant and Capital Equipment

(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1985 Appropriation	FY 1986 Adjusted Appropriation	FY 1987 Base	FY 1987 Request	Request vs Base
Operating Expenses	$128,669	$129,042	$135,505	$139,459	$+3,954
Capital Equipment	3,309	8,953	8,953	6,688	-2,265
Program Subtotal	$131,978	$137,995	$144,458	$146,147	$+1,689
Less use of prior year unobligated balances	0	-10,455	0	0	0
Less use of prior year deobligations	-6,000	-6,000	-6,000	-6,000	0
Budget Authority	$125,978	$121,540	$138,458	$140,147	$+1,689
Staffing Total FTE's	1088	1117	1117	1117	0

Authorization: P.L. 95-91

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
MANAGEMENT AND ADMINISTRATION
(In thousands of dollars)

FY 1986 Adjusted Appropriation	$121,540
Use of prior year unobligated balances	+10,455
Use of prior year deobligations	+6,000
Program Subtotal	$137,995
Built-in increases and decreases:	
SLUC rate increase	+6,463
FY 1987 Base	$144,458
Program increases and decreases:	
Increase salaries and expenses to fully fund 1117 FTE's, increased average salaries, within grade increases, promotions and Relocation Income Tax allowance (legal requirement)	$ +2,659
Increase Workmen's Compensation to cover additional costs of compensation and medical benefits incurred by Department of Labor for employees under DOE's jurisdiction	$ + 445
Increase SES Rank and Performance Awards to cover new calculation methodology	$ + 240
Increase travel to cover increased Departmentwide training activities and additional review and assessment of field program and policy implementation	$ + 571
Increase to cover minor adjustments in contractual services	$ + 39
Reduce capital equipment	$ -2,265
Less use of prior year deobligations	$ -6,000
FY 1987 Budget Authority	$140,147

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
NARRATIVE JUSTIFICATION

Management and Administration

The major goals for Management and Administration are to provide adequate support to Departmental programs, identify and eliminate areas of waste, extravagance and costly administrative overhead, and at the same time promote increased efficiency and effectiveness in management and administrative support systems and services.

Management and Administration (MA) provides a wide range of institutional support services to the headquarters organizations and to the Department as a whole. Areas of support include management policies and procedures; personnel management; project and facilities management; administrative services; automatic data processing and communications; contractor industrial relations; financial management; procurement; coordination of correspondence; and equal opportunity activities. The funding request covers costs for salaries, benefits, travel and personnel support costs.

	FY 1986 Program Level	FY 1987 Request
Management and Administration	$137,995,000	$146,147,000

The FY 1987 Management and Administration request of $146,147,000 reflects a net increase of $8,152,000 over the FY 1986 Program Level. Use of $6,000,000 in prior year deobligations will be used to finance this program. This funding level will enable Management and Administration to continue to provide adequate support to the Department.

Salaries and Expenses.................$ 45,830,000.........$ 49,174,000

Includes estimates for full-time permanent base salaries; other compensation, which includes base salaries for other-than-full-time positions, reimbursement to other Government agencies for personnel loaned to the DOE, terminal leave, awards and overtime; and benefits which cover expenses to the Civil Service Retirement and Disability funds, Employees Health Benefits and Life Insurance funds, payments to the Employees Compensation Fund, moving expenses, and Workmen's Compensation. Also includes funding for SES rank awards and performance bonuses for the Department as set forth under the Civil Service Reform Act of 1978.

MA's request of $49,174,000 is $3,344,000 above the FY 1986 Program Level. This request will fully fund 1,117 FTE's, an increase in average salaries, within-grade increases, promotions, a new legal requirement regarding Relocation Income Tax Allowance, an increase in workmen's compensation payments and increased costs of SES Rank and Performance Awards which is necessary due to an OPM change in regulation.

Travel ....$ 1,925,000.........$ 2,496,000

Covers funding for official domestic and foreign travel of MA personnel, GSA motor pools, shuttle bus services to support Headquarters activities and travel to support Departmentwide training programs.

The request of $2,496,000 represents a $571,000 increase over the FY 1986 Program Level. Additional funds are needed to cover the increased support of Departmentwide training programs and the increased efforts in the review and assessment of field program and policy implementation in the areas of personnel policies, personnel management evaluation, independent cost estimating, real property and facilities management, financial management and compliance reviews of contract and assistance instruments.

Contractual Services and Supplies............$ 81,287,000........$87,789,000

The request of $87,789,000 provides essential support services to Headquarters including transportation of things; SLUC; communications, utilities and other rent; printing and reproduction; other services such as ADP support, guard services, court reporting and equipment repair and maintenance; and supplies and materials.

This request reflects an increase of $6,502,000 which will cover the SLUC rate increase imposed by GSA and minor adjustments in other support services areas.

Capital Equipment............................$ 8,953,000....... $ 6,688,000

Provides for replacement of ADP and administrative equipment which has become unserviceable or on which further repairs would be uneconomical. In addition, funds will provide for equipment to support office automation initiatives, communications requirements, the conversion of leased copiers to purchase and COMSEC/TEMPEST equipment.

This request represents a reduction of $2,265,000 from the FY 1986 Program Level. This decrease in funds is possible due to the intent to purchase needed computer equipment in FY 1986.

Staffing.....................................1117 FTE's...... 1117 FTE's

Management and Administration's diversity entails providing support to all Departmental elements for centralized policy direction of management activities, monitoring, and oversight functions, and provides a wide range of institutional support services to the Headquarters organizations and to the Department as a whole. We can provide the current level of management services and support at the requested level. Every effort has been made and we will continue to strive for greater efficiencies; in cooperation with the Administration's initiatives in reducing manpower in the Federal Government. Since 1981, Management and Administration has reduced manpower from the 1400's to our current level. Even though our responsibilities have increased, we have accomplished substantial organizational efficiencies to counteract these reductions. We are the leader in Government in our management of a Cabinet Department and have increased the number of small Federal agencies which we support on our personnel/payroll system; have taken the lead on several Reform 88 initiatives; and were the first Department in the Federal government to successfully implement an unclassified computer security program in accordance with OMB Circular A-71. We continue to focus attention on improving and streamlining our operations that affect our own internal activities, as well as those that impact other DOE organizations.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW

OPERATIONS OFFICES

MAJOR ACTIVITIES OVERVIEW

- The five organizational elements responsible for the Department of Energy programs field execution, including energy technologies, defense, nuclear, basic and applied research and environmental programs are the Chicago Operations Office, Idaho Operations Office, Oak Ridge Operations Office, Richland Operations Office, and San Francisco Operations Office.

- The remaining operations offices, Albuquerque, Nevada and Savannah River, are funded by the Atomic Energy Defense Appropriation.

- The operations offices perform a wide variety of functions in support of energy activities throughout the country. Amoung these functions are field procurement, health and safety monitoring, property management, labor relations and maintenance of personnel and financial systems. Additionally, the operations offices plan, develop and administer budgets and maintain an administrative staff to support on-going programs and projects.

Chicago Operations Office

- Current Chicago Operations assignments include key elements of the advanced reactor base technology program, the salt and cyrstalline rock projects in the Civilian Nuclear Waste Management Program, magnetic confinement fusion R&D and test facility activities, magnetohydrodynamic projects and test facility activities, conservation and renewable energy technology projects, and monitoring of the Federal loan guarantee for the Great Plains Coal Gasification Projects.

- Laboratories and facilities operated or managed by the Chicago Operations Office include: (Multiprogram facilities), Argonne National Laboratory, Bates Linear Accelerator Facility, Fermi National Accelerator Laboratory, Michigan State University (MSU)/DOE Plant Research Laboratory, Notre Dame Radiation Laboratory, Princeton Plasma Physics Laboratory, Radiobiology Laboratory at the University of Utah, the Solar Energy Research Istitute, (Goverment operated), Environmental Measurements Laboratory, and the New Brunswick Laboratory.

Idaho Operations Office

- Current assignments of the Idaho Operations Office include chemical processing operations and demonstration; waste management operations and demonstrations; Nuclear reactor safety research development and demonstration; alternate energy technology development and demonstration; remedial action programs; and programs for state and local assistance.

OPERATIONS OFFICES

Idaho Operations Office (con't.)

- In addition to carrying out its program responsibilities at the Idaho National Engineering Laboratory, the Idaho Operations Office also has jurisdiction over various programs at the following locations: Grand Junction (CO) Area Field Office; Denver (CO) Support Office; Butte (MT) MHD Project; TMI (PA) Site Office; and the West Valley (NY) Project Office.

Oak Ridge Operations Office

- The current Oak Ridge assignments are the production of nuclear weapons components in support of national defense programs; the production of enriched uranium for defense requirements and for fueling nuclear power plants in the United States and abroad; the processing of uranium feed materials and related production reactors; extensive energy research and development; and facility development and operations of Strategic Petroleum Reserve to reduce the nation's vulnerability to the effects of petroleum supply interruptions.

Richland Operations Office

- Currently, the Richland mission is accomplished primarily in government-owned facilities for the Department by eight integrated contractors. Effective October 1, 1987, the eight integrated contractors will be combined to include an operations and engineering, an architect-engineering/construction, and a research and development contractor with possibilities of a fourth contractor specifically for medical services. These consolidation efforts began early in FY 1985. Under the present arrangement, approximately 13,700 contractor employees perform the actual research and development, production, chemical processing, waste management, and site services. A relatively small staff of Federal employees, funded primarily through the Departmental Administration (WA) program, has the overall responsibility for general management and the direction of Department programs and activities. Included are safety and environmental protection, financial administration of funds, procurement and contract administration, safeguards and security, and appraisal of contractor performance.

San Francisco Operations Office

- The San Francisco assignment is to execute program and project activities in Defense, Nuclear Energy, Magnetic Fusion, Energy Research, Fossil and Conservation and Renewables Programs. The office manages several DOE GOCO laboratories, including Lawrence Livermore National Laboratory, Lawrence Berkeley Laboratory, Stanford Linear Accelerator Laboratory and the Energy Technology Engineering Center, and DOE Research Laboratories including laboratory of Biomedical and Environmental Sciences (UCLA), Laboratory of Energy-Related Health Research (UCD), Laboratory of Radiobiology (UCSF), and Stanford Synchrotron Radiation Laboratory (SSRL).

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
OPERATIONS OFFICES
DEPARTMENTAL ADMINISTRATION
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1985 Appropriation	FY 1986 Adjusted	FY 1987 Base	FY 1987 Request	Request vs. Base
Operations Offices.....	$89,786	$88,848	$88,848	$94,222	$+5,374
Staffing Total, FTE's..	1,586	1,606	1,606	1,601	-5

Authorization: P.L. 95-91

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF CHANGES
OPERATIONS OFFICES
DEPARTMENTAL ADMINISTRATION

(Tabular dollars in thousands. Narrative material in whole dollars.)

FY 1986	$88,848
Built-in increases and decreases	-0-
FY 1987 Base	$88,848
Program Increases and Decreases:	
- Increase from repricing of salaries and benefits	+3,167
- Increase for authorized travel away from official station, including local travel	+496
- Increase in requirements for Standard Level User Charges (SLUC), Communications, ADP Computer Services, supplies and materials, and printing and reproduction	+1,724
- Reduction in capital equipment	-13
Subtotal	$+5,374
FY 1987 Budget Request	$94,222

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
NARRATIVE JUSTIFICATION
OPERATIONS OFFICES
DEPARTMENTAL ADMINISTRATION

(Tabular dollars in thousands. Narrative material in whole dollars.)

The five Operations Offices conduct research and development activities by applying engineering and scientific expertise to several aspects of the nuclear field; alternative energy applications, advanced energy systems, environmental and safety applications, programs supporting national security and defense programs. A general administration staff provides administrative and inter-program technical management of assigned program and projects.

A total of $94,222,000 is requested to enable the five Operations Offices to provide for personnel and related support cost to manage and execute headquarter-delegated program/projects responsibilities. The Budget can be categorized as follows:

	1986	1987
o Salaries and expenses.............	$63,700	$66,867
- Includes estimates for full-time permanent base salaries, other compensation, which includes base salaries for other than full-time positions, terminal leave, overtime, and benefits which cover expenses to the Civil Service Retirement and Disability. Employees Health Benefits and Life Insurance funds, payments to the Employees Compensation Fund, FICA taxes, moving expenses, and any benefits for former employees.		
o Travel............................	$ 1,403	$ 1,899
- Covers funding for official domestic and foreign travel and minor amounts for GSA motor pools.		
o Contractual Services...............	$22,757	$24,481
- Provides for transportation of things; communications; rents and utilities; printing and reproduction; supplies, materials and other essential services necessary to support programmatic efforts for the Operations Offices. Also provides funding for the Oak Ridge Museum of Science and Energy.		
o Capital Equipment..................	$ 988	$ 975
- Provides for procurement of administrative equipment which has become unserviceable or on which further repairs would be uneconomical.		

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW

OFFICE OF MINORITY ECONOMIC IMPACT

The goals of the MI program are to advise the Secretary of Energy on the impact of national energy policies, programs and regulations on minorities and minority business enterprises; to provide management and technical assistance to minority educational institutions and minority business enterprises to increase their level of participation in energy activities; and to provide loans to minority businesses to facilitate their participation in the procurement activities of the Department. The goals are in support of activities mandated by Section 641 of the National Energy Conservation Policy Act (Public Law 95-619, dated November 9, 1978).

In support of the goal to advise the Secretary of Energy on the impact of energy policies on minorities and minority business enterprises to attain certain Research objectives, MI will develop relevant comparative data, impact analyses, and other information on minorities. This will be facilitated through three specific tasks which will: (1) Incorporate national and regional economic, resiential, and transportation data into MI's data bank and improving the categories of minority representation of the information; update and enhance the Minority Energy Assessment Model (MEAM) to provide policy-sensitive impact assessments and related analysis; (2) Incorporate the data and analysis on minorities into assessments for legislative and regulatory actions of DOE and in the formulation of policy and programmatic options; (3) Perform market research, economic and business analysis and feasibility studies to identify and define economic opportunities in energy research, conservation, and development.

Specific Objectives and Expected Benefits to be Derived from 1987 to 1990 Formulated in Response to Public Law 95-619 will be:

I. Research

In the area of Data Development and Analysis the objective will be the improvement and expansion of the minority data bank and enhancement of the MEAM model in order to facilitate policy-sensitive impact assessments needed for the other research components of MI and for assessments of DOE's Office of Policy and relevant program offices. This will enable realistic assessments of the impact of energy policies and regulations on minorities as required by Section 211(c) of Public Law 95-619. The FY 1987 objective will be to update and improve the component models of the MEAM. The FY 1988, 1989, and 1990 program objectives will include: (1) Further improvements in the minority representation in the data bank by including some Hispanic and American Indian ethnic categories and enhancing the overall regional characteristics in the data; (2) updating some data and other information into the forecasting models to enhance the forecasting capabilities of the task; and (3) providing some special studies and analyses to interpret specific economic scenarios and other information in the data bank, and performing focused economic and technical assessments for related policy and progam efforts.

The benefits to be derived are that this systemmatic updating and improvements to the data bank and the MEAM will enable MI to better address its mandated responsibilities to assess the impact of energy policies and regulations on minorities. Furthermore, an improved and updated data bank and policy-sensitive model will provide relevant analytical capabilities to the policy and program offices, within the Department, which have recognized the fact that MI's unique minority data and analytical capabilities can augment their assessment efforts.

In the area of Policy Assessments, the objective will be to continue to provide the Secretary of Energy with timely and detailed assessments of how minorities are being and will be impacted by national energy policies, energy programs, and significant energy-related legislation and regulation; compared to other population categories. The activity will be a supplement to DOE's overall policy and evaluation efforts, with a specific focus on minorities, and will be in furtherance of Section 211(b) of Public Law 95-619. In FY 1987, the objective will be to continue to provide some focused information on minority energy consumption and use patterns and disposable income spent relative to other population categories and to incorporate the information and analysis internally to DOE's policy and program offices. This will enable those offices to reflect the impact of energy policies and programs on minorities, in their development of assessments of program regulations and for legislative and regulatory actions of DOE. In FY 1988, FY 1989 and FY 1990, the objective will be to (1) evaluate selected DOE program regulations which significantly impact minorities and develop relevant comments and recommendations, as appropriate; (2) focus on existing DOE legislation and legislative initiatives; (3) provide policy assessments and related analysis for major energy technology projects which may impact minorities.

The benefits to be derived include the evaluation of the distribution impacts of national energy policies, programs, legislation, and regulation on minorities as is mandated by Public Law 95-619. Such evaluation at the micro level, by applying in-depth analysis at the regional level and by socioeconomic categories, will enable detailed indicators of impacts which may deviate from generic studies in specific regions and for specific population categories and subcategories. Program activities can then be developed to mitigate any adverse impact of energy policy and program actions.

For Market Analysis - Research, the objective of this task will be to provide market research, planning economic and business analysis, and feasibility studies to identify and define economic opportunities for minorities in energy research, production, conservation, and development as is specified in Public Law 95-619(d)(2). This research activity will facilitate some of the technical assistance which MI provides to minority business enterprises and to organizations where the primary purpose is to assist the development of minority communities. The FY 1987 objective is to focus on market research and financial planning analysis which will indicate to minority businesses specific factors which are needed to achieve economic viability with selected energy technologies and provide technical information documents to assist them in their planning efforts as they assess the business potential of new energy technologies. For FY 1988, 1989 and 1990, the objectives will be to: (1) Develop projections on the development of markets within minority communities for specific energy technologies; (2) Develop market penetration models for selected new energy technologies, and (3) Determine relevant strategies to assist minority energy entrepreneurs to penetrate energy market segments.

The benefits to be derived from this task include the implementation of activities to satisfy the requirements mandated in Public Law 95-619(d)(2). Furthermore, the technical assistance which the development of the technical information will facilitate will enhance the opportunities for minority business enterprises in various sectors of the energy industry and increase their participation in energy supply, conservation, production, and other energy businesses. This task will also provide an adequate mechanism to educate and inform minority business enterprises and minority communities about DOE programs and related energy technology developments in the energy arena with the objective of increasing the level of minority participation.

This restructured Research Program concentrates on programs and actions which will be more responsive to the mandated responsibilities of MI. The major program emphasis is to continue the development of specific tasks which will provide regional and micro-level comparative data, impact analyses, and other information on minorities to other offices within DOE for program and policy impact assessments and legislative and regulatory actions such as rulemaking proceedings. In addition, the market analysis and projections task will provide concentrated technical assistance and other information to assist in the decision-making of minority business entrepreneurs and encourage the development of the minority market for goods and services in the technology segment of the energy industry.

II. Management and Technical Assistance

The objective of MI's country-wide Minority Honors Training Program in energy-related technologies will be to continue to provide scholarship funding to financially needy minority honor students. In addition, MI will continue to match-make the DOE funded New Mexico colleges with high technology industries for equipment donations, specialized training, cooperative training, full-time and summer employment in the budget year. This project furthers the requirements contained in Section 211(d) of Public Law 95-619.

The benefits to be derived will include MI funded scholarships to financially needy minority honor students that would not otherwise be given the opportunity of obtaining vocational training in energy-related fields. Likewise, MI's match-making efforts will provide these financially needy minority honor students with better job opportunities in energy-related industries, upon completion of their training and entry into the marketplace.

The objective of the FY 1987 Minority Educational Institution Assistance Program is to continue assistance to selected institutions based on a competitive procurement in FY 1986. Support will continue for development of science and technology research and development centers. The joint program with industry will continue to improve private sector interaction with these institutions. This project responds to the requirements contained in Section 211(d) of Public Law 95-619 and supports the goals contained in Executive Order 12320 of September 15, 1981.

The benefits to be derived from this program will be continued support to selected minority institutions thereby increasing their ability to compete for energy activities of the Department.

The primary objective of the Minority Economic Development Program is to advise the Secretary about the impact of energy activity on minority business enterprises and to develop ways to assure that minority business enterprises (MBE's) are afforded an opportunity to participate fully in the energy programs of DOE.

There are two distinguishing features of the Minority Economic Development Program, (1) it makes a concerted effort to seek out, encourage and provide technical assistance to small and large disadvantage businesses, and (2) it assists Departmental Officials in ways to increase the participation of disadvantaged business in DOE activities.

The FY 1987 funding includes resources to continue outreach, focused technical assistance and minority business energy enterprises development activity.

Through close interaction between MI, HQ and Operations Office officials, MI will focus efforts on the activity which has been identified as essential (1) to encouraging, developing, and providing technical assistance to MBE's as well as increasing MBEs in DOE contract activity, and (2) providing assistance and information to the DOE operations offices in their efforts to increase MBE participation. The benefit to be derived from these projects will be the increased participation of Minority Business Enterprises in DOE contracting activity which will result in greater economic benefit to minority businesses and in turn to the minority community at large.

The objectives of the Minority Energy Information Clearinghouse is to provide tailored information responses, development of data targeted for minority business enterprises, continuation of maintaining and disseminating information to anyone who needs to know about energy programs and the economic impact of those programs on the minority community. The benefits to be derived from the Minority Energy Information Clearinghouse will include assisting the participation of minority businesses in DOE procurement activities; compiling a body of minority energy-related information which will help in policy analysis, facilitating research into the subject area by centralizing available information.

III. Financial Assistance

The FY 1987 objective of the Financial Assistance Program will be to continue to provide bid or proposal preparation funding to minority-owned businesses seeking DOE work; to continue to implement relevant recommendations arising from the program evaluation study of the Financial Assistance Program performed in FY 1985; undertake further structural refinements to the program including selective development of improved forms and procedures and further review and analysis of particular areas highlighted in the evaluation study. The FY 1988, 1989 and 1990 objectives will remain unchanged from the 1987 objectives, subject to the possible changes stemming from the program evaluation study. Carryover funds from previous years will be utilized to continue providing financial assistance to minority-owned businesses.

The benefits to be derived from accomplishment of the proposed objectives include improvement in the ability of minority-owned businesses to do work for DOE, with attendant increase in economic activity for these firms, and the further development of energy-related capabilities by such companies.

The FY 1987 objective of the Minority Financial Institutions Development Program will be to continue to administer the Minority Financial Institutions Development Program, which includes minority banks and thrift institutions. DOE will increase deposit levels in minority thrifts to $500,000 per institution. Approximately $80 million in consent order funds will be on deposit in 160 minority financial institutions. The source of deposit funds are derived from DOE's Petroleum Violation Escrow funds which are non-appropriated funds.

The benefits to be derived from the above program include the continuation of loans and investments made by these financial institutions in minority communities, and the increase in interest earned on these deposits which eventually will be returned to the public.

Calendar Year 1986 Expected Accomplishments include:

I. Research

o To augment the data bank development, some limited regional-based information will be added from other sources of data information in order to improve the quality of the data, and also to facilitate relevant forecasting of residential and transportation energy demand.

o Development of a minority economic model and a transportation component to the MEAM will be implemented by incorporating relevant information from the Annual Housing Survey information base.

o The national and regional data will be improved and made more accurate by adjusting for discrepancies between the EIA "RECS data" and the Census data by applying the Iterative Proportional Fitting Technique to adjust individual expansion factors of weights for different parameters.

o The methodology of the Minority Energy Assessment Model (MEAM) will be modified to reflect compatibility with end-use equipment characteristics from the EIA Home Model.

- Three special studies on alternative economic growth and higher energy price will be formulated and the information shared with the DOE policy office and with relevant program offices so that analyses on the effects on minorities relative to other population categories can be conducted and specific indicators be assessed for inclusion in future programmatic considerations.

- Specific socio-economic and energy-use information will be developed from the data bank and provided to the policy office and to relevant program offices so that in-depth analysis at a more micro level can be facilitated by specific minority categories at the regional level.

- Information from MI's research efforts will be incorporated internally to reflect the impact of energy policies and programs on minorities in the development of assessments for legislative and regulatory actions of DOE and other federal agencies.

- A technical information document designed to assist minority businesses identify and define economic opportunities and financial options in various segments of the energy industry will be developed and disseminated.

- Market penetration estimates by regions and subgroups, for use by minority entrepreneurs to assess the market penetration potential of new energy technologies, will be developed.

II. Management and Technical Assistance

- Phase II or the operational phase of the Cooperative Developmental Energy Program with two minority educational institutions, minority businesses, and the energy industry participants will be phased down.

- Internship programs for faculty and students with the individual minority educational institutions and the energy industry cooperative parties will be continued and the scope extended.

- The implementation of specific energy industry-related courses at minority educational institutions will be emphasized.

- Comprehensive technical energy seminars, co-sponsored with the energy industry participants, for students and minority business enterprises will continue to be conducted at the individual educational institutions.

- Technical assistance will be provided to minority institutions identified as having the potential to conduct energy-related research.

- A competitive procurement for development of research centers and joint activities with industry will be issued.

- Will continue the country-wide minority honor projects in energy-related technologies to provide scholarship monies for tuition, books, tools, and laboratory fees to needy minority students.

- Will continue to compile data on placement of graduates in energy-related fields.

- Will continue match-making the DOE-funded New Mexico Colleges with high technology industries for specialized training, cooperative training, improving employment opportunities.

- Will provide technical assistance to 200 minority businesses, and with special focused activity for minority-owned women firms to enhance their capabilities, thereby improving their ability to compete for energy-related technical procurement opportunities. Top priority will be placed on the nationwide Disadvantaged Outreach Project to promote DOE programs and its interest in the minority community.

- Will continue to operate the Minority Energy Information Clearinghouse, providing requisite publicity regarding the existence and capabilities of this serivice. Focused activity will be initiated to determine the informational needs of minority business enterprises.

- Will increase the number of items in MI's Oak Ridge TIC/RECON computerized data base and other non-computerized data bases.

III. Financial Assistance

A. Financial Assistance Program

- Will evaluate recommendations arising from the program evaluation study of the Loan Program conducted during FY 1985.

- Will commence to implement the relevant recommendations contained in the aforementioned study.

- Will continue to provide loans and possibly other financial assistance to minority business enterprises.

B. Minority Financial Institutions Development Program

- Will continue to administer the Minority Financial Institutions Development Program, implementing the approved increase in deposit levels in minority banks from $400,000 to $500,000 per bank.

- Will seek approval to increase deposit levels in minority thrift institutions from $200,000 to $500,000 per institution.

- Approximately $60 million in consent order funds will be on deposit in 160 minority financial institutions. This effort will continue to be funded from DOE's Petroleum Violation Escrow Account, and not with MI appropriated funds.

- Will continue to provide for administrative support for the Minority Financial Institutions Development Progam.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
OFFICE OF MINORITY ECONOMIC IMPACT

(Tabular dollars in thousands. Narrative material in whole dollars)

	FY 1985 Appropriation	FY 1986 Adjusted Appropriation	FY 1987 Base	FY 1987 Request	Request vs Base
RESEARCH					
Minority Energy Assessment Model - Data Development & Analysis	200	196	196	296	+100
Policy Assessments	300	221	221	295	+ 74
Market Analysis	-	172	172	174	+ 2
Regional Assessments	200	-	-	-	-
Forecasting	200	-	-	-	-
Subtotal	900	589	589	765	+176
MANAGEMENT & TECHNICAL ASSISTANCE					
Minority Honors Training Program	150	402	402	121	-281
Cooperative Development Energy Program	225	-	-	-	-
Minority Educational Institution Assistance	100	785	785	-	-785
Minority Energy Information Clearinghouse	200	172	172	124	- 48
DOE/Energy Industry Collaborative Project	150	-	-	-	-
Minority Business Enterprise	125	-	-	-	-
Minority Economic Development Program	-	118	118	190	+ 72
Subtotal	950	1,477 1/	1,477	435 3/	-1,042
FINANCIAL ASSISTANCE					
Minority Financial Institution Development Program	-	-	-	-	-
Subtotal	-	-	-	-	-
Program Direction					
Operating Expenses	558	530	530	589	+ 59
Subtotal	558	530	530	589	+ 59
Total	2,408	2,596 2/	2,596	1,789	- 807
Staffing Total FTEs	11	11	11	11	-

Authorization: Section 614, P. L. 95-619

1/ Includes $393,000 to be deferred to FY 1987.

2/ Reflects a general reduction of $153,000 and a Gramm-Rudman reduction of $105,000. Also reflects a 5 percent pay restoration of $27,000.

3/ Does not include $393,000 to be deferred from FY 1986.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
OFFICE OF MINORITY ECONOMIC IMPACT
(Tabular dollars in thousands. Narrative material in whole dollars)

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DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF CHANGES
OFFICE OF MINORITY ECONOMIC IMPACT
(In Thousands of Dollars)

FY 1986 Adjusted Appropriation	$2,596
Program increases and decreases:	
Research	
o Maintain and integrate updated information in the Minority Energy Assessment Model	+ 100
o Maintain and integrate various segments of the Research Program with more DOE program and policy offices, with other Federal agencies, and with the energy utilities industry and minority educational institutions	+ 74
o Maintain the level of the technical information on energy technology markets for minority businesses and communities	+ 2
Subtotal	+176
Management and Technical Assistance	
o Significantly reduce the Minority Honors Training Program to assist financially needy minority honors students in energy-related technologies at two-year colleges	- 281
o Utilize deferred funds from FY 86 for Minority Educational Institution Assistance	- 785
o Decrease the Minority Energy Information Clearinghouse activities	- 48
o Maintain the level of the Minority Economic Development Program	+ 72
Subtotal	-1,042
Financial Assistance	
o Loan Program*	- 0 -
Subtotal	
Program Direction	
o Provide operating expenses for staff of 11 FTEs	+ 59
Subtotal	+ 59
1987 Budget Request	1,789

*Funded from carryover funds

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
NARRATIVE JUSTIFICATION
OFFICE OF MINORITY ECONOMIC IMPACT (MI)

The FY 1987 Departmental request is for $1,789,000. This is a decrease of $807,000 from the adjusted FY 1986 appropriation. However, the FY 1986 and FY 1987 programs will generally be comparable based on our proposal to defer $393,000 of FY 1986 funds to FY 1987. This will provide for 11 full-time equivalent staff to further fulfill the statutory goals of the Office. In order to accomplish the goals and objectives of MI, which were stated in the introduction, the following program activities are included at the Departmental Request:

1. Public Law 95-619 mandates an on-going Research Program to determine the effects of national energy programs, policies and regulations on minorities.

   In FY 1987, the Data Development and Analysis segment of the research program will include analyses of survey data provided by the Energy Information Administration from their Residential Energy Consumption Survey data tapes and files, in addition to other relevant socioeconomic information from other national surveys. This is needed to facilitate realistic assessments of the impact of energy policies and regulations on minorities. It will be necessary to increase the representation of minorities, other than Blacks, in the data bank to facilitate more representative impact analyses with the Minority Energy Assessment Model (MEAM). However, it is necessary for the component minority economic model, residential energy model, and transportation energy model to be periodically updated in order for MI to facilitate relevant energy-policy impact assessments.

   Another research project will be Policy Assessments and related analysis. The major emphasis of this task will be to structure significant comparative data, impact analyses, and other information on minorities in a focused manner so that DOE's policy office and individual program offices can utilize the information for program and policy impact assessments and legislative and regulatory actions such as rulemaking proceedings. In this manner, MI's policy assessments and related analyses will provide DOE with a unique tool with which it can respond to the results of generic studies based on national averages. This coordinated working relationship with the policy and program offices was implemented in FY 1986.

   The Market Analysis - Research implemented in FY 1985 and 1986 so that MI can become responsive to its responsibilities which are specified in Public Law 95-619(d)(2) and which have not been previously addressed. The project focuses on linkages between energy technologies and minority business enterprises and employment opportunities, by developing appropriate technical information which will be structured to provide technical assistance to minority business enterprises and to minority communities in their decision-making. Some technical information will be researched and developed for this research task.

2. The Congressional Budget Request for Management and Technical Assistance programs will have the following impact:

   A. The Minority Educational Institution Assistance Program initiated in FY 1986 will support a comprehensive set of activities that will develop centers at minority institutions for energy research and development. These centers will draw on individual, unique capabilities of principal investigators and students at other minority institutions within their geographical area. The centers will provide an administrative and technical infrastructure vital to support competitive energy research at minority institutions. Also they will serve as a point of contact to coordinate technical assistance provided to minority educational institutions by other federal organizations.

In addition, the programs will solicit joint projects between minority educational institutions and the private energy industry sector designed to expand the relationships between the institutions and industry. This effort will also be designed to strengthen the academic offerings at the minority institutions through visiting professorships, loan of personnel and joint assignment between the minority institutions and the private and public sector energy industry, and the implementation of energy curriculum at the educational institutions.

B. The Minority Economic Development Program. At this level of funding, MI will continue data collection to be used to advise the Secretary in an effort to assure that minority business enterprises are afforded an opportunity to participate fully in the energy programs of DOE. Focused technical assistance will be provided to minority businesses. In addition, assistance and information to the DOE operations office in their efforts to increase MBE participation in DOE field-sponsored activities will be provided.

C. Two of the nine colleges in the present Minority Honors Training Program for financially needy minority honor students will be funded. The country-wide Minority Honors Training Program in energy-related technologies provides scholarships for tuition, books, tools and laboratory fees to financially needy Black Americans, Hispanic and Puerto Rican Americans, Native American Indians, Asian Americans and Native Alaskan honor students.

D. The Minority Energy Information Clearinghouse will continue to be operational. Funding at this level will provide for dissemination of information and publicity of available services.

E. The Minority Financial Institution Development Program assistance will continue to be provided in the form of short-term deposits in minority-owned financial institutions. Under DOE's Minority Financial Institutions Development Program, non-appropriated funds obtained through consent decrees with major energy companies are deposited in short-term Certificates of Deposit in minority financial institutions, which use the funds to make loans and investments in minority communities. Approximately 160 minority financial institutions are eligible to participate in this project.

Funding in the amount of $589,000 will cover operating expenses for 11 full-time equivalent staff positions, which are needed to support this program which has diverse program areas requiring varying kinds of technical expertise.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW

OFFICE OF POLICY, PLANNING, AND ANALYSIS

The Office of Policy, Planning and Analysis (PPA) is part of the Office of the Secretary. PPA is the principal staff advisor to the Secretary and Deputy Secretary for formulating and recommending national energy policy and carries out analyses of DOE programs to ensure each contributes the maximum to national energy policy. PPA provides the Secretary and Deputy Secretary with an objective policy analysis and evaluation capability, coordinates energy-related policy analysis conducted within the Department of Energy and the Executive Branch, provides policy analysis and economic analysis support to the DOE Program Assistant Secretaries, and carries out studies mandated by Congress.

The policy framework within which PPA discharges its responsibilities is part of the Administration's overall policy calling for less spending, less taxes, and elimination of counterproductive regulations. That policy is described in the National Energy Policy Plan (NEPP). As described in the NEPP, the goal for all of the Department's energy policy actions is to foster an adequate supply of energy at reasonable cost. PPA's analytic, advisory, and coordinating activities are undertaken in support of this goal and are designed to assure that DOE activities are consistent with the energy policy strategies set forth in the National Energy Policy Plan; namely, to minimize federal involvement in energy markets while maintaining public health and safety environmental quality and to promote a balanced and mixed energy resource system.

Accomplishments for FY 1985 include:

Energy Market Issues

Developed tax analysis models and analyzed impacts of Treasury's November 1984 Tax Reform Proposal on energy industries.

Analyzed provisions of the President's Tax Reform Proposal (Treasury II) and prepared final analysis of the oil and gas effects of the President's package for use by DOE and Administration officials.

Prepared extensive analysis of the effects of the Strategic Petroleum Reserve moratorium.

Completed the second report required by Section 123 of the Natural Gas Policy Act of 1978.

Prepared DOE's comments on FERC's Notice of Inquiry on interstate transportation of gas and on FERC's Notice of Inquiry on natural gas pipeline ratemaking, risk, and financial implications after partial decontrol.

Completed Phase I of study on "Emerging Policy Issues in PURPA Implementation" and study on "Economic Analysis of Electricity 'Rate Shock'.

Completed initial analysis of effects of partial deregulation of railroads on coal transportation costs and electric utility prices.

Analyzed the Department of Commerce's Coal Import Study.

Completed detailed analysis of automotive fuel economy issues -- technical and economical.

Prepared detailed analysis of energy use trends from 1972 to 1984 including disaggregation of the components of the changes in the four end-use sectors of the economy. Results presented in national and international forums.

Completed a study of the economy's response (in terms of energy use and efficiency) to economic growth and changing energy prices.

Completed a multi-year project with the National Academy of Science on behavorial aspects of energy consumption. The results of the project are being used to develop new forecasting approaches to understand better energy end-use market responses.

Initiated an analytical effort to project the likely fuel shares (focusing on oil and electricity) in the residential and industrial sectors for the period 1985 - 1995.

International Energy Issues

Prepared energy projections portion of the U.S. submission to the International Energy Agency Standing Group on Long-Term Cooperation (IEA/SLT).

Environmental Issues

Prepared report analyzing the costs and benefits of alternative "acid rain" control strategies.

Analyzed the current economic potential for electric utility coal conversions, which included the impact of alternative "acid rain" control strategies.

Energy policy, planning, and support activities to satisfy DOE management objectives and Congressional mandates

Prepared the energy projections appendix for NEPP-V, providing a set of long-term projections (through the year 2010) of international and domestic energy production, consumption, and prices.

Prepared and submitted to Congress the biennial report on Energy Targets as required by Title III of the Energy Security Act.

Energy Technology

Completed study assessing the market potentials of ten new electricity-saving technologies.

Completed study assessing the economics of selected first-generation commercial nuclear power plants.

Analyzed effects of Federal regulations on utility decisions to cancel partially built nuclear power plants.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE

OFFICE OF POLICY, PLANNING AND ANALYSIS

(Tabular dollars in thousands. Narrative material in whole dollars)

	FY 1985 Appropriation	FY 1986 Adjusted Appropriation	FY 1987 Base	FY 1987 Request	Request Versus Base
Support Funding	$4,500	$4,243	$4,243	$4,500	+257
Program Direction	2,541[1]	3,205[2]	3,205	3,355	+150
Total Operating Expenses	$7,041	$7,448	$7,448	$7,855	+407
Staffing/Total FTE's	61[1]	64[2]	64	64	

Authorization: Sec. 102, 203, 657, 801, P.L. 95-91

[1] Reflects comparability transfer of $326,000 (7 FTEs) from Energy Supply R&D appropriation, Policy and Management, Office of Environment, Safety and Health to the Office of Policy, Planning and Analysis due to program structure change in FY85.

[2] Reflects real transfer of $287,000 (6 FTEs) from Energy Supply R&D appropriation, Policy and Management, Office of Environment, Safety and Health to the Office of Policy, Planning and Analysis due to program structure change in FY85.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
OFFICE OF POLICY, PLANNING AND ANALYSIS
(Tabular dollars in thousands/narrative material in whole dollars)

FY 86 Adjusted Appropriation	$7,448[1]
o Support Funding	257
o Program Direction	150
FY 87 Departmental Request	$7,855

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[1] Includes real transfer of $287,000 from Energy Supply R&D appropriation, Policy and Management, Office of Environment, Safety and Health to the Office of Policy, Planning and Analysis due to program structure change in FY 85.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
NARRATIVE JUSTIFICATION
OFFICE OF POLICY, PLANNING, AND ANALYSIS

The Office of Policy, Planning and Analysis (PPA), which is part of the Office of the Secretary, is the principal staff advisor to the Secretary and Deputy Secretary in the review of existing and prospective energy policies (including recommending new policy initiatives) and provides policy analysis support to DOE Program Assistant Secretaries. PPA oversees the analysis of policy issues, development of policy proposals, coordination of these initiatives within the Department and the Executive Branch, and the implementation of resulting policy decisions within Departmental programs. The Office concentrates upon strategic planning issues, analysis of the impacts of potential policy options and analytical efforts required for policy development. The policy framework within which PPA discharges its responsibilities is the National Energy Policy Plan (NEPP). As described in the NEPP, the goal for all of the Department's energy policy actions is to foster an adequate supply of energy at reasonable costs. PPA's analytic, advisory and coordinating activities are undertaken in support of this goal and are designed to assure that DOE activities are consistent with the energy policy strategies set forth in the National Energy Policy Plan; namely, to minimize federal involvement in energy markets while maintaining public health and safety and environmental quality and to promote a balanced and mixed energy resource system. There are no significant changes in PPA's FY87 budget request. In essence the request is to continue FY86 activities.

Achievement of the above, as well as achievement of the goals and objectives outlined in the overview are accomplished through several categories of activities:

- o Early and accurate identification of major energy policy issues that need to be addressed through long-term studies and analyses;
- o Continued development, analyses and evaluation of specific policies and programs, both in response to Congressional and Presidential mandates, and in fulfillment of more general responsibilities of the Office and the Secretary;
- o A program of fundamental, long-term studies of the nature, causes and potential solutions of the Nation's energy problems, designed to lead to improved insights and to form the basis for innovation and improvement in the Nation's energy policies and programs.

FY 1987 Budget Request

The FY 1987 budget request for PPA is $7,855,000, an increase of $407,000 from the FY86 adjusted appropriation. This budget request reflects a continuation of PPA's ability to perform specific functions in areas critical to the continued implementation of Administration energy policy and fulfillment of Congressional mandates and of PPA's ability to provide acceptable levels of policy analysis and evaluation support to the Secretary, the Congress and the President.

Policy Analysis and Systems Studies

The FY 1987 budget request for policy analysis and systems studies is $4,500,000.

This request will continue the high quality level of both short- and long-term studies and analyses of a limited set of major policy issues. Results from these studies are critical to the development of energy policy.

A broad range of both short- and long-term studies and analyses will be conducted in FY 1987. These studies will provide objective, independent data and analyses relating to current energy issues. The short-term analytical requirements mandated by the Congress, the President and the Secretary will continue to receive the highest priority in the allocation of PPA's resources. In addition to short- and long-term studies, efforts will be directed toward continuous monitoring, analyzing and forecasting the Nation's energy markets and the effects of new policy on these markets.

General activities to be pursued in FY 1987 include: economic analysis; energy supply and demand projections; analysis and review of policy recommendations; Congressional-mandated reports and studies; and special projects for the Secretary and Deputy Secretary.

Representative studies and analytical work planned in these areas for 1987 include:

Review and update energy trends analysis.

Complete development and application of new detailed energy demand forecasting model for residential/commercial sectors.

Complete analysis of the developing methanol fuel market for transportation (combined project with EPA).

Complete the Alaskan Export Study and the Refinery Policy Study.

Prepare DOE comments on FERC's Notice of Proposed Rulemaking on the Regulation of Natural Gas Pipelines after Partial Wellhead Decontrol.

Develop a fuel-specific end-use detailed model of energy use in developing nations as a function of their stage of economic development.

Complete analysis of end use sector responses to electricity supply contraints.

Update estimates of regional and national electricity supply requirements, under alternative levels of demand growth.

Analyze alternative approaches to tax reform in the electric utility industry.

Monitor and project factors affecting relationship between authorized and earned rates of return on electric utility investments.

Analyze comparative economics of alternative means of meeting future electricity demand.

Study the status and prospects for world coal trade, with emphasis on U.S. production.

Analyze the impacts of "acid rain" legislation proposals on U.S. coal production, transportation, and utilization.

Analyze trends and costs of coal transportation in U.S. and world markets.

Program Direction

The FY 1987 request for program direction is $3,355,000, an increase of $150,000 from the FY 1986 adjusted appropriation. This funding request provides salaries, benefits and travel expenses for 64 FTEs, and represents no increase in FTEs from FY 1986.

This budget request corresponds to the responsibilities of PPA under its mission statement and provides manpower resources to perform its specific functions in areas critical to the continued implementation of Administration energy policy and fulfillment of Congressional mandates and to provide acceptable levels of policy analysis and evaluation support to the Secretary, the Congress and the President.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW

CONGRESSIONAL, INTERGOVERNMENTAL AND PUBLIC AFFAIRS

The Office of Congressional, Intergovernmental and Public Affairs (CP) is responsible for developing, managing and ensuring coordination of Departmental relations with the Congress; news media; state, local, territorial, and tribal government officials; other Federal agencies; and consumer, citizen, labor and business organizations; non-profit education organizations; energy-oriented groups; and the general public. This Office is also responsible for fostering and assuring competition among parties engaged in the supply of energy and fuels. In FY 1987, CP will continue efforts to present the President's programs for achieving an adequate supply of energy at reasonable costs for all consumers.

FY 1986 accomplishments will include:

- o Presenting and advocating the Administration's position on energy-related legislative matters--such as possible deregulation of natural gas, nuclear licensing reform, nuclear waste, safeguards and security at nuclear facilities, energy emergencies, energy taxes, uranium enrichment enterprise decision, U.S.-China Agreement, synfuels, environmental initiatives and clean coal--and participating in the development of new and revised legislation.
- o Coordinating Congressional appearances for over 300 witnesses in more than 150 hearings, and attending hearings, markups, briefings and Floor action.
- o Responding to Congressional requests for information and service, and coordinating all written communications with the Congress.
- o Coordinating and initiating activities in support of Departmental energy programs to advocate goals and strategies with Federal, state and local governments and other constituencies.
- o Identifying energy problems affecting Federal, state and local governments or other constituencies.
- o Representing the Department on the Energy and Aging Consortium, a private/public sector coalition, to network and deal with energy problems of the elderly.
- o Providing consumer responses to over 1,000 general letters, approximately 300 requests needing specific, individualized information or assistance, and over 10,000 telephone inquiries.
- o Providing the consumer constituency with material regarding current energy programs, activities, and policies for further distribution through their publications and other means.
- o Producing a bi-monthly news column--for over 3,800 daily and weekly newspapers across the country--to convey important energy-related information to consumers and generate feedback regarding viewpoints and concerns of consumers.
- o Arranging and/or participating in over 200 meetings with representatives of consumer organizations to discuss energy issues of interest and viewpoints; apprise appropriate DOE officials of feedback or early warnings concerning developments in their program areas of responsibility.

- Preparing over 150 reports and background information on consumer organizations active in the energy area.

- Preparing weekly reports to White House and senior Departmental officials on current and upcoming internal and external consumer and intergovernmental issues and activities.

- Consulting with state, local, Indian, and territorial governments; the business and labor communities; and national organizations representing these officials on Departmental initiatives, issues, policy actions, and programs which affect them, and working toward the resolution of outstanding problems.

- Directing Departmental compliance with Executive Order 12372, "Intergovernmental Review of Federal Programs."

- Preparing over 300 reports on a regular basis, 200 special issue and early warning analyses, and weekly reports and updates of state energy legislation to keep senior Department and Administrtation officials, program, policy, and field offices informed of the energy-related policies, issues, concerns, and legislation of above constituency groups.

- Representing the Administration's energy policies and positions at over 30 National conferences and approximately 250 meetings involving state, local, Indian, and territorial governments, and the organizations that represent them.

- Promoting the prudent development of Indian energy resources through an interagency contract managed by CP with the Council of Energy Resource Tribes.

- Managing the Department's Micronesian status negotiations activities and policy assistance for the President's representative in the negotiation and approval process.

- Arranging more than 300 briefings, press conferences, editorial boards, interviews, etc., with news media for the Secretary and senior Department officials. Responding to approximately 150 telephone inquiries daily from print and electronic media, Congress, government agencies and the public.

- Preparing and/or reviewing, editing, clearing and issuing approximately 1,000 press releases, notes to editors, fact sheets, speeches, transcripts, Congressional testimony, press guidance and responses to inquiries.

- Providing daily liaison with the White House Press Office and frequent consultation with the White House Press Secretary and Public Affairs Office.

- Participating in emergency exercises sponsored by the Department and/or other agencies.

- Maintaining a balanced public information program for the Department through coordination of program office information activities and guidance to field and contractor public information officers.

- Producing DOE newsclips for daily and weekly distribution to Department officials in policy-making positions, Members of Congress, and selected White House staff.

- Receiving approximately 8,000 written inquiries, 9,000 phone inquiries, and approximately 8,400 walk-in requests for energy information.

- Preparing about 120 articles, letters to the editor, speeches, and talking points for senior Department officials.

- Responding to about 350 speaking invitations, assisting in the preparation of over 150 briefing books and papers for speaking engagements accepted by the Secretary, and preparing over 100 biographies on DOE officials.

- Managing Departmental publications program (including contractors and grantees) by reviewing content, inventory, distribution, costs, etc., in over 300 requests.

- Providing management and control throughout the Department of all audiovisual productions and exhibits developed and/or used for the dissemination of information, including reviewing over 250 requests.

- Publishing monthly Departmental newspaper, DOE This Month.

- Providing lead role regarding economic and legal analysis for DOE's participation in oil pipeline deregulation and in maintaining a deregulated gasoline marketing industry.

- Preparing competitive analyses on legislation affecting gasoline marketing, market approaches to energy disruptions, patent policy, and the effects of rail deregulation on coal transportation.

- Conducting in-house education seminars to apprise senior policymakers on how to use competition analysis in day-to-day policy development.

Specific objectives for FY 1987, formulated in response to Public Laws, are:

- Provide a continuing liaison between the Department and the Congress, and coordinate activities related to the consideration and passage of new and revised energy legislation.

- Continue efforts to establish and maintain effective two-way communications on energy activities between the Department and its constitutents in order to promote the development of national energy policies and programs that will achieve an adequate supply of energy at reasonable costs for all consumers, and strengthen the nation's economy and security.

- Examine the effects of Federal energy policies and regulations on state and local governments and on consumers.

- Continue to work with the news media and with energy officials toward a balanced public affairs information program.

Accomplishment of these specific objectives will help formulate new or revised Public Laws, and meet the objectives of pertinent existing Public Laws; assure clarity and consistency in information disseminated about energy programs; provide the public with opportunities for participation in energy policy decisionmaking; and reinforce the Administration's position that market-based solutions are the best allocators of scarce energy resources.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
CONGRESSIONAL, INTERGOVERNMENTAL AND PUBLIC AFFAIRS
DEPARTMENTAL ADMINISTRATION - OPERATING EXPENSES

(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1985 Appropriation	FY 1986 Adjusted Appropriation	FY 1987 Base	FY 1987 Request	Request vs Base
Congressional, Intergovernmental and Public Affairs (CP)					
Program direction.....	$ 3,368	$ 4,240	$ 4,240	$ 4,409	$ + 169
Public affairs	100	415	415	206	- 209
Consumer affairs	100	76	76	50	- 26
Competition	100	96	96	50	- 46
Indian affairs	500	289	289	200	- 89
Total Congressional, Intergovernmental and Public Affairs	$ 4,168	$ 5,116	$ 5,116	$ 4,915	$ - 201
Staffing Total FTE's - Direct*	91	88	88	88	---

Authorization: Sections 102, 103, 203, 301, 655 and 801 - P.L. 95-91
Section 604 - P.L. 96-597

* Excludes 2 FTE's included in the Civilian Radioactive Waste Management Office budget.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF CHANGES
DEPARTMENTAL ADMINISTRATION
(In thousands of dollars)

FY 1986 Appropriation enacted	$ 5,116
Built-in increases and decreases	---
FY 1987 base	$ 5,116
Program increases and decreases:	
Program direction	
o Provide additional funding for 88 FTE's	+ 169
Public affairs	
o Reduce contract support for evaluations and other public affairs activities	- 209
Consumer affairs	
o Reduce contract funding for radio spots and newspaper articles	- 26
Competition	
o Reduce contractor analysis, processing services, etc.	- 46
Indian affairs	
o Provide DOE share of interagency support for development of Indian energy resources	- 89
FY 1987 budget request	$ 4,915

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
NARRATIVE JUSTIFICATION
CONGRESSIONAL, INTERGOVERNMENTAL AND PUBLIC AFFAIRS

The Office of Congressional, Intergovernmental and Public Affairs (CP) manages and ensures coordination of relations with the Congress, news media, and other constituent groups. CP supports energy program offices and provides policy and guidance to ensure consistency in program activities with these groups. In addition, CP staff works closely with the field activities on intergovernmental and public affairs issues as well as dealing with the news media. They also provide oversight on relations between the Department and all external groups and entities (excluding international) and on immediate or potential energy-related issues arising from or affecting these groups.

The FY 1987 budget request is $4,915,000, a decrease of $201,000 from FY 1986. This amount will fund 88 FTE's, the same level as FY 1986. It will also provide reduced contractual support for public/press, consumer, competition and Indian activities.

Program direction

The request of 88 FTE's provides for staff in the Congressional affairs area to provide counsel and advice to all Secretarial officers and their staffs on relationships with Congress and to prepare briefing materials, legislative status reports and talking points for senior Department officials. It also provides for manpower necessary to support DOE witnesses in their appearances before Congressional committees in hearings, and to help assure prompt, complete responses to Congressional inquiries and requests.

This level provides staffing for the new Office of Communications established in FY 1985. This Office manages and oversees the overall public affairs and public information activities of the Department, and also provides overall policy guidance and management oversight for intergovernmental and consumer affairs, and for the competition function.

Staffing for press and public affairs provides the capability to assure clarity and consistency in energy information dissemination to the national news media and to the general public, and to maintain daily liaison with the print and broadcast media. Coordination of media activities both in Headquarters and with the field offices is supported. This level provides staffing to give an editorial writing capability; and to manage a publications and audiovisuals/exhibits program, and public inquiries activities.

Staffing for the Division of Domestic Affairs to carry out the intergovernmental affairs function provides for a central point of contact between the Department and state, local, tribal and territorial governments, and other Federal agencies.

Support is provided to examine the impacts of energy policies upon other levels of government and to work closely with these groups. Also, briefing papers on state energy issues are prepared for the Secretary and other Department principals. Staffing for the consumer affairs function provides a focal point for policy and oversight, and information coordination on behalf of consumers. In addition, this level provides for the evaluation of policy initiatives within DOE to determine their impact on competition in the energy industry.

This level also provides for a newly established Office of Public Liaison. It is responsible for support and assistance to the Secretary in working closely with energy-oriented associations, businesses and industries to keep them apprised of energy policies and programs. (The function of working with businesses and industries was previously assigned to the immediate Office of the Secretary.) Public Liaison also responds to speaking invitations and schedules speakers before national organizations.

Program support

A total of $506,000 is requested for CP program support in FY 1987. This includes $206,000 for public affairs, approximately $126,000 of which will be required for Press Services. This group is the central news media office for the Department through which all Headquarters materials intended for the news media flow. Press Services also provides guidance and coordination of news media materials prepared for and distributed by DOE field offices and facilities; maintains files of materials released; responds to media inquiries; and keeps the Secretary and other senior DOE staff informed about news media activities. Contractor support will be needed to assist this office to perform its assigned responsibilities including on-site assistance; monitoring and transcription of radio and television energy broadcasts; and wire dissemination of press releases to major news media. The $80,000 balance of the public affairs request will be needed to evaluate audiovisual products and publications throughout the Department and by contractors, as required by OMB Circulars A-114 and A-3.

For the Division of Consumer Affairs, $50,000 is requested to carry out its Congressional mandate to represent within the Department, consumer concerns and viewpoints, and convey on a national level important information in support of the Secretary and the Administration's energy policy. Consumer Affairs has discovered two low-cost, effective methods to assist in meeting this mandate. With the funds requested, the Office will be able to participate in a cooperative effort through which it will obtain five minutes per week of national radio air time to use for the above stated purposes. The funds will also provide for the printing, distribution and clipping service of a bi-monthly consumer news column disseminated to approximately 4,000 weekly and daily news-papers throughout the country.

Funding of $50,000 is also requested for the Division of Competition, which is responsible for evaluating the structure, conduct and performance of the energy industry and developing affirmative policies to enhance competition. Support funds are needed to provide for contractor analysis of energy issues, data purchases, and processing services.

Lastly, $200,000 is requested for Indian affairs to continue a contract with the Council of Energy Resource Tribes to promote the development of Indian energy resources. Under this DOE-administered, multiagency-funded contract, projects are undertaken which range from resource assessments, impact analyses and marketing studies to the provision of technical assistance to member tribes. The requested level will continue planned financial support as the tribes become more self sufficient.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW

INTERNATIONAL AFFAIRS

The overall policy role for the Office of International Affairs is established by the Department of Energy Organization Act of 1977 (P.L. 95-91), and responsibilities assigned under the Atomic Energy Act of 1954 and the Nuclear Nonproliferation Act of 1978. These acts require the Department to develop and implement international energy policy consistent with domestic energy and U.S. foreign policy and to provide independent technical advice to the President on international energy related matters. Our primary international energy goals are to promote the energy policy interests and concerns in international fora and in bilateral negotiations; to advocate policies to remove impediments that hinder free international markets; to strengthen U.S. knowledge of developments and emerging issues in world energy markets, primarily nuclear, oil, coal and gas; to help shape policies that reduce the vulnerability of the United States and allied and other friendly countries to energy supply disruptions, predominantly oil and gas; and to enhance the effectiveness of energy R&D cooperation with other nations. Our areas of responsibility include international nuclear cooperation and nonproliferation matters covered under the Atomic Energy Act and the Nuclear Nonproliferation Act, international energy policy analysis and international cooperative arrangements with foreign nations and international energy organizations. Our activities are carried out primarily by our in-house civil service staff, supplemented, as needed, by energy experts in the private sector, universities, national laboratories, and other government agencies.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
INTERNATIONAL AFFAIRS
DEPARTMENTAL ADMINISTRATION

(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1985 Appropriation	FY 1986 Adjusted Appropriation	FY 1987 Base	FY 1987 Request	Request vs Base
International Affairs (IA)					
International Policy Studies					
Operating Expenses	$1,250	$ 963	$ 963	$1,700	$+737
Subtotal	$1,250	$ 963	$ 963	$1,700	$+737
Program Direction					
Operating Expenses	$2,988	$2,976	$3,151	$3,380	$+229
Subtotal	$2,988	$2,976	$3,151	$3,380	$+229
Total					
Operating Expenses	$4,238	$3,939	$4,114	$5,080	$+966
Staffing Total FTE's	51	51	51	51	0

Authorization: P.L. 95-91

SUMMARY OF CHANGES
International Affairs
Departmental Administration - Operating Expenses

FY 1986 Appropriation	$3,939
Built in increases and decreases:	
° Withingrade and merit pay increases	+ 75
° Increased administrative support for overseas reps	+ 100
FY 1987 Base	$4,114
Programmatic increases and decreases:	
° Increase for full support of 51 FTE's	+ 110
° Increase in international policy studies	+ 737
° Increase support of IAEA program	+ 119
FY 1987 budget request	$5,080

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
NARRATIVE JUSTIFICATION

INTERNATIONAL AFFAIRS

Mission

The Department of Energy Organization Act of 1977 (P.L. 95-91) establishes the overall policy role for the Office of International Affairs. This Act requests the Department to develop and implement international energy policy consistent with domestic energy and U.S. foreign policy and to provide independent technical advice to the President on international energy-related matters. This general mandate is based upon the importance of international influences on the domestic energy program and the importance of energy as a component of foreign policy. International Affairs discharges this mandate in close cooperation with other offices of the Department, as well as the Departments of State, Defense, Commerce, Treasury and other concerned Executive Branch agencies such as the Nuclear Regulatory Commission.

The Office of International Affairs also carries out specific international responsibilities and commitments set by other legislation, including the areas of international nuclear cooperation and nonproliferation, natural gas/LNG imports, and international energy market analysis. International Affairs also administers a variety of important international arrangements, such as cooperative technology agreements with foreign nations and international energy related organizations, and it develops for and provides to the Department its international R&D policy, subject to approval by the Secretary. These agreements represent important U.S. Government commitments and many of them support broader U.S. political and economic objectives.

The Office of International Affairs is responsible for: developing international energy policy, including the international component of overall energy policy; developing, managing, and directing programs and activities that implement and support international energy policy and U.S. foreign policy; analyzing, assessing and monitoring world energy markets and trade, price and supply trends, and technological developments; developing Department positions for international negotiations; developing, negotiating, implementing and assessing U.S. international nuclear policies, including nonproliferation policies; maintaining relationships with foreign governments and energy organizations; supporting international energy organizations; developing, negotiating and administering a program of technical exchanges with foreign governments; and maintaining cognizance of the energy R&D policies and programs of foreign governments.

FY 1985 accomplishments include:

- Represented the United States at the International Energy Agency (IEA) in achieving an agreement by IEA Ministers on a common approach toward such issues as gas security and oil product imports.

- Provided an analytical base for policy decisions by closely following the international energy supply policies of major oil producers and consuming governments and international oil markets, including spot markets, pricing trends, patterns of sale, and movement of crude oil.

- Continued close working relationships and technical oil market information exchanges with key consuming and producing nations.

- Provided technical support for successful conclusion of Agreements for Cooperation for Civil Uses of Atomic Energy with China and Finland that will allow the export of U.S. material, equipment components and U.S. reactor technology.

- Consulted with foreign governments in establishment of new administrative arrangements required under Agreements for Nuclear Cooperation and initiated new procedures.

- Completed the review and action of over 150 "subsequent arrangements" for the transfer of nuclear material while improving the control mechanism.

- Coordinated processing, clearance and approval of major subsequent arrangements involving retransfer of 200 kg of Swiss-owned, U.S.-origin, plutonium, and which was first of its type outside of Japan and EURATOM.

- Continued progress on the renegotiation of Agreements for Nuclear Cooperation with Japan and EURATOM as directed by the 1978 Nuclear Nonproliferation Act (NNPA).

- Participated in all preparatory components for the Nuclear Nonproliferation Treaty (NPT) Review Conference in September 1985.

- Further developed a foreign travel tracking program to meet demands from the offices of the Secretary and other senior Headquarters officials, in addition to meeting external demands, for accurate information on current and projected travel.

- In cooperation with the Department of Commerce, laid the groundwork for the President's decision on June 14, 1985 to remove restrictions on crude oil exports to Canada. This action was taken in response to a similar decision by Canada to deregulate crude exports to the U.S.

- Conducted a review of the prospects for removing restrictions on the export of Alaskan Cook Inlet crude oil to the Far East. This action would involve the export of up to 30,000 barrels per day of crude.

- Advanced policy of greater international use of coal by assisting Commerce and other DOE offices in a U.S.-Italian coal logistics study.

- Provided policy and technical support throughout the Government on international gas issues, including the Spanish proposal for a natural gas pipeline from Africa to Europe and development of Western European gas supplies.

- Provided protocol support for senior DOE management for visits by foreign energy officials and visits abroad by U.S. officials.

- Identified barriers to free international flow of energy and related goods and services. Made representation in bilateral and multilateral fora to remove these barriers in order to make trade flows more efficient and open markets to U.S. suppliers.

- Represented U.S. in discussions at the IEA regarding energy and the environment to assure a commitment that energy policy goals would be fully considered in decision regarding imposition of environmental regulation.

- Managed and administered over 130 cooperative energy R&D technical exchange agreements and other commitments, covering more than 260 projects, with foreign nationals and international organizations including the IEA, the Nuclear Energy Agency (NEA), and the International Atomic Energy Agency (IAEA).

- Drafted and negotiated 48 new technical exchange agreements and 28 extensions of existing technical exchange agreements. A total of 14 foreign countries were involved. Technical fields included nuclear energy, radioactive waste management, enhanced oil recovery, natural gas, geothermal, solar, nuclear physics and coal.

- Devised a strategy to seek to achieve optimal use of energy R&D resources here and abroad. A process of international collaboration was promoted and discussed among certain key countries. Under this process, interested countries would share and compare their program plans in various technical areas of energy R&D while they are still being developed, and adjust them accordingly to take full advantage of each other's capabilities. The Governing Board of the IEA, and the Energy Ministers of the IEA, endorsed a series of recommendations that encourages early consultation in the design of program plans, as well as periodic monitoring of progress in collaborative energy R&D at the political level.

- Hosted (with the Office of Fossil Energy) 5 days of discussions on the clean use of coal in which representatives from 11 countries and two international organizations participated which has as an initial outcome, resulted in an endorsed concept of joint program design as an effective means to leverage future R&D efforts.

Our objectives for FY 1986 to FY 1989 are:

- Promote and coordinate expanded international collaboration in energy research and development by DOE with other countries in order to maintain scientific progress and to optimize the utilization of available scientific resources. Actions to be taken include:

  - advising program offices of the policy context in which R&D collaboration is being sought with other countries;

  - assisting offices in identifying opportunities for collaboration abroad;

  - advising program offices from past experience on ways to best approach joint, systematic R&D program planning;

- coordinating and monitoring efforts at enhanced collaboration to ensure that they are consistent from a Department-wide policy perspective, that effective negotiating postures are taken, and that efforts are properly timed and consistent with other USG interests;

- supporting R&D efforts by drafting agreements, coordinating their negotiation and completion, and monitoring their implementation from a policy perspective;

- reporting on progress to the International Energy Agency/Committee for Research and Development and IEA Governing Board, to U.S. Missions abroad, to Congress and other USG agencies as appropriate;

- securing support for enhanced international R&D collaboration outside the Department by briefing other Executive Agencies and Congressional staffs, committees and offices on the objectives to be achieved and the policy rationale; and

- serving as the central reference for international R&D activities for the Department.

° Promote a technical base for the implementation of a Western policy framework to encourage the development of alternatives to Soviet Gas, including ensuring and monitoring our energy commitment to the IEA and implementing specific gas emergency measures.

° Promote the free market in bilateral and multilateral energy relations through, for example, the removal of trade barriers, as the best way to create an environment that will best ensure adequate supplies at reasonable prices.

° Analyze political, economic and energy developments and trends in international markets in order to identify emerging issues which will effect U.S. international energy security interest.

° Promote enhanced cooperation and a more intensive energy policy dialogue with key Asia-Pacific countries in order to strengthen the energy security of this region and prospects for greater U.S. energy exports.

° Continue the historical commitment to maintain and strengthen the international nonproliferation regime. International Affairs considers nuclear nonproliferation one of its primary statutory responsibilities and will continue to exert its best efforts to assure protection against the spread of sensitive nuclear technologies.

° Continue support of U.S. efforts to enhance the viability of the Nuclear Nonproliferation Treaty through increased coordination with other agencies in providing technical assistance to other countries.

° Improve and enhance assistance to the IAEA in the fields of technical cooperation with the Agency and in providing focused assistance to selected countries deemed to be of importance for implementing the U.S. program emphasizing key NPT signatories, less-developed, countries.

- Improve U.S. representation in the IAEA through development and management of new recruiting and follow-on program for U.S. candidates for positions deemed of importance to the U.S.

- Continue and intensify efforts to obtain new and revised Agreements for Nuclear Cooperation (as required by the Nuclear Nonproliferation Act).

Accomplishment of our objectives will: provide a sound analytical basis on which to conduct our energy relations with both oil producing and consuming nations; establish and maintain a dialogue with other countries on important global energy matters; enhance U.S. international energy Research and Development collaborative efforts; help reduce the risks of nuclear weapons proliferation while expanding the markets for the peaceful applications of nuclear energy; lessen U.S. vulnerability to energy supply disruptions; and provide accurate and reliable advice and support to the Secretary and other energy policymakers.

FY 1987 Budget Request

INTERNATIONAL POLICY STUDIES

The Office of International Affairs (IA) conducts policy and analytical studies in support of international energy markets, nuclear nonproliferation policy, and international R&D policy. The work in the first two areas is solely the responsibility of IA within DOE. An internal task force on international R&D collaboration clarified the roles and responsibilities between IA and the program offices. Their findings clearly indicate that IA has policy, administrative, and management information responsibilities that are unique to IA and does not duplicate program office activities.

The funding for International Policy Studies assists the Office of International Affairs in carrying out its responsibilities for formulating international energy policy, assessing and analyzing current global energy trends and developments, and advising the Secretary on international energy issues. These studies, models, data acquisitions, etc., provide a basis for examining and assessing developments in the world energy situation which may affect both domestic energy objectives and cooperative energy efforts with other nations. These policy studies provide independent views on complex and continually changing international energy issues. The Office of International Affairs requires these independent, objective views to broaden its analytical base for policy formulation.

The FY 1987 Department Request for International Policy Studies is $1,700,000. This amount exceeds by $737,000 the FY 1986 adjusted appropriation. The need for increased support is primarily related to the area of international R&D collaboration. These policy studies will provide the basis for implementing the Secretary's goal of increasing international involvement as a means of maintaining scientific momentum consistent with increasingly stringent budget requirements. Through a persuasive international R&D policy that convinces our allies of the merits of increased collaboration, R&D program cost savings of more than $20 million dollars per year are clearly feasible. A draft Energy Research Advisory Board (ERAB) study on international R&D collaboration recommends an even stronger role for IA, building upon its unique capabilities and responsibilities. Those who have carefully studied the situation recommend increased funding in policy studies.

The IA studies provide the intellectual capital to formulate R&D collaboration policies consistent with overall foreign policy, to improve our ability to understand foreign country energy technology programs within the context of their overall energy policy, to develop strategies that will ensure that our international collaboration activities will provide significant benefits to this country and to develop negotiating positions for bargaining with specific countries, including possible multiple technology arrangements.

Our policy studies money provide the funding to develop and operate essential management information systems on our international agreements and their related commitments; on the status of agreements in negotiation and the key negotiating points; on administrative arrangements and impediments so that prompt, effective action may be taken to ensure efficient collaboration; on total foreign travel to improve coordination and reduce excess travel; and on foreign visitors and assignees to U.S. facilities to improve control of technology transfer. Specific proposed projects in the International R&D Policy area are:

- Analysis of impact of Energy Technology on Energy Security to support IA participation in the formulation of an R&D Policy for IEA.
- Analysis of policy factors in R&D Cooperation that will permit adequate input of past experience in the development of new cooperative arrangements.
- Analyses of strategies for enhanced private sector involvement in international cooperation and the trade impacts of international energy R&D cooperation.
- A system to track the status of international agreements, negotiations, and commitments so that DOE can be assured that it is meeting its obligations;
- A system to monitor all foreign travel and visitors to ensure a coordinated DOE approach in R&D discussions and negotiations;
- The establishment of a DOE centralized document system to provide improved access to critical information to respond to the needs of the Secretary, OMB and the Congress;
- The development of foreign country technology profiles on key programs, individuals, organizations, and foreign policy to assist in the development of negotiating strategies;
- The assessment of benefits and costs for the United States to ensure that technology program collaboration will provide improved economic efficiency in achieving long-range objectives.

In the nuclear area, specific proposed studies are:

- Nuclear Nonproliferation Studies: Developments in international nuclear nonproliferation issues require specific expert assistance and often occur with little or no notice and require immediate response in order to provide necessary information and options for policy decisions by top DOE management. Quick response contracts or task orders from recognized experts in various nuclear nonproliferation issues are required in order to provide this essential input.

- Support of DOE Responsibilities re IAEA: IE has responsibility for supporting DOE management in all activities connected with the IAEA. This includes the analysis of current events and preparation of special material for support of DOE management, including preparation of special briefing materials. Such response often requires the utilization of specialized contractors with specific expertise in the area.

- IAEA Recruitment Support: Certain positions in the IAEA are of considerable importance to furtherance of U.S. foreign policy goals in international safeguards and nuclear nonproliferation. In order to effectively project key openings and to implement effective recruitment and briefing activities, a system needs to be developed that would allow effective planning and action to meet our goals. Contract services are required to develop, test and implement such a system.

- NPT review conference: A major goal for the U.S. is to demonstrate the value of the Treaty to developing countries to assure continued adherence and to encourage additional countries to become signatories. The most commonly requested technical assistance is in the area of energy planning and analysis, particularly nuclear power options. Building on the program developed as an initiative for the 1985 Review Conference, a series of conferences/seminars are planned to assist developing countries in improving their ability to plan their energy sector activities.

In the area of energy market and policy analysis, several studies are needed to support priority issues:

- Oil Market studies: It will continue to be critically important to the U.S. energy security interests to keep abreast of the policies of the oil producing countries, developments in oil production capabilities and in changing patterns of crude oil and product trade. Areas where policy studies are required include:

  -- Implications of investments by the oil producing countries in downstream oil refinery and petro-chemical facilities on oil trading patterns, particularly in Europe.

  -- The investment climate for hydrocarbon exploration in LDC's and the impact on the extent of R&D activity.

- Changes in the structure of the world oil market and their impact on oil security.

- The impact of oil product imports from new OPEC refineries on the world oil market and on the energy security of key industrialized countries.

- Oil Tanker Market Reports: Monthly reports on the world oil tanker market that facilitate understanding of oil market developments and emergency planning participation in IEA and NATO.

- Natural Gas Demand Analysis: Following up on FY 86 technical analysis of natural gas supply alternatives for Europe, study of European demand and price scenarios in the 1990s will be required to evaluate commercial viability of alternative supplies identified. This follow-on work is essential to assure continued U.S. influence over gas decisions being made by our allies.

- Coal Use Policies: Study to identify remedies to factors that restrict penetration of coal (and level of U.S. coal exports) in OECD coal markets and perform cost/benefit analysis of measures to reduce/eliminate restrictions.

- Removal of Trade Barriers: Analysis of the effect of barriers to trade of energy and related goods and services on development and exchange of indigenous OECD energy resources. This study will provide analytical base to propose concrete program to eliminate these barriers. This will increase OECD collective energy security and open markets for U.S. energy (coal and enrichment services) and energy related goods and services.

INTERNATIONAL AFFAIRS PROGRAM DIRECTION

The FY 87 Department Request for Program Direction is $3,380,000 for 51 FTEs. The current funding and staffing for this activity in FY 86 is $2,976,000 with a staffing level of 51 FTEs. The requested increase is primarily for increased Department of State (DOS) administrative support costs for overseas representatives and energy related programs at the IAEA Mission in Vienna. Requested funding provides for salaries, benefits, and travel for International Affairs' in-house civil service employees. This level also provides funding for two DOE overseas offices, including personnel and administrative support and includes funds for DOS reimbursement for IAEA desk officer support in the U.S. Mission, Vienna. International Affair's current functions, notwithstanding any new requirements that may be levied by the White House, the Secretary of Energy or the Congress, include but are not limited to:

- Prepare material for use by the Secretary and the AS/IE to be used in the formulation of international nuclear nonproliferation policy by DOE, NSC, the President, Departments of Defense and State, and ACDA.

- Respond to the increasing number of congressional legislative initiatives and inquiries on nuclear nonproliferation and when requested, work with Members of Congress and their staffs in the area of policy guidance on nonproliferation and technical cooperation issues.

- Participate in a number of interagency groups working to define the Administration's nonproliferation policy.

- Maintain historical information and a chronology of significant events involving nonproliferation, particularly on sensitive countries.

- Maintain a close advisory relationship with the Assistant Secretaries of Defense Programs and Nuclear Energy on export controls of U.S. nuclear technology, goods and services, particularly to sensitive countries.
- Prepare issue papers on current events throughout the world affecting nonproliferation.
- Representation by DOE in the NEA and IEA, as well as provide the support functions that go along with representation.
- Provide the Secretary of Energy and the AS/IE background information and data on visiting U.S. officials (such as Ambassadors) and on foreign officials in the nonproliferation area.
- Participate in bilateral meetings where discussions of nonproliferation issues will take place.
- Administer the implementation of approximately 100 bilateral technical exchange arrangements and subsidiary arrangements with 23 foreign countries, 26 multilateral IEA agreements, and 6 multilateral NEA agreements.
- Draft and negotiate technical exchange agreements and subsidiary arrangements with foreign entities, in coordination with DOE program offices, General Counsel, Controller, and State.
- Arrange international cooperative technical activities other than agreements, such as equipment loans and work for others pursuant to DOE Order 4300.2.
- Maintain cognizance of energy R&D policies and programs in foreign countries. This requires systematic collection of classified and unclassified material from U.S. and foreign sources, and maintenance of responsive filing systems.
- Coordinate DOE's international R&D activities to insure consistency with approved policy procedures.
- Prepare briefs, position papers, memoranda for record, and reporting cables for meetings with senior foreign energy R&D officials.
- Provide representation to the National Security Council's Interagency Group for the Arctic and Antarctic, and for Ocean Laws and Policy.
- Inform senior DOE officials of the impact of significant developments in foreign energy R&D policies and programs.
- Inform foreign governments of important developments in U.S. energy R&D policies and programs.
- Review and authorize, based on foreign policy considerations, the foreign travel of all Department and contractor personnel. With computer support, monitor on a current basis the foreign travel of all Department personnel,

advising Secretarial offices on trends, sensitive areas, and provide summaries for use by senior officials in scrutinizing appropriateness of foreign travel.

- Represent DOE in the IEA's policy forum on energy R&D, the IEA Committee on R&D.
- Review and authorize, based on foreign policy considerations, visits and long-term assignments of foreign officials and R&D personnel to DOE laboratories and facilities; monitor levels of foreign presence.
- Coordinate meetings and briefings for foreign visitors to DOE Headquarters.
- Coordinate energy cooperative activities under bilateral interagency science and technology agreements with several countries such as Spain, Yugoslavia, Mexico and India; including administering the selection and implementation of energy projects, coordination of exchange of scientists and technical experts, and organization of seminars and workshops on energy R&D.
- Monitor and analyze oil price and supply/demand trends in the world oil market, with a focus on short-term developments and on the major consuming and producing countries.
- Analyze the international impacts of natural gas price regulations and rulings.
- Monitor and analyze natural gas developments in the world market, with particular emphasis on a gas supply negotiations between the OPEC countries and industrialized countries.
- Assess the impact of major political, economic, and energy developments in key consuming and producing countries on energy security and U.S. bilateral relations.
- Manage U.S. participation in the U.S.-Korea Energy Subgroup chaired on the U.S. side by the Assistant Secretary for International Affairs and Energy Emergencies.
- Handle congressional testimony on oil market and regional energy issues, including preparation of testimony, briefing of DOE principals, and response to follow-up inquiries.
- Provide lead representation for the U.S. Government at the IEA Standing Group in the Oil Market (SOM) , and the Standing Group on Long-Term Cooperation (SLT) and design the analytical efforts of these bodies.
- Hold periodic consultations with Mexicans and Venezuelan officials on oil market developments and outlook.
- Represent DOE in the U.S.-Japan Energy Working Group and its technical subgroup, involving the preparation of presentations and negotiating strategies to enhance bilateral oil, coal and gas trade.

- Handle DOE participation in interagency trade policy committee meetings.

- Support and prepare material for use by the Secretary and the AS/IE, or other senior DOE/USG officials when representing the U.S. in bilateral negotiations and consultations or in multilateral international meetings (including the IEA Ministerial and Governing Board).

- Monitor and analyze developments in the world oil tanker market.

- Represent U.S. Government at the IEA Conservation Subgroup with a view to assuring proper emphasis on role of market forces in achieving greater energy use efficiency.

- Identify barriers to free international trade of energy and related goods and services, analyze detrimental effects of such barriers, and recommend methods to reduce or eliminate energy trade barriers.

- Develop, staff and manage new program to ensure improved placement and support of U.S. nationals in key positions in the IAEA.

- Provide improved coordination and planning between DOE program offices and activities of the IAEA so as to make maximum contribution to both the Agency and to the program offices.

- Implement and maintain newly developed administrative arrangements for the management of nuclear materials with countries with which we have Agreements for Cooperation.

- Support the International Atomic Energy Agency and other international bodies in the field of nuclear nonproliferation and safeguards.

- Draft, coordinate, and negotiate international technical cooperation agreements under existing bilateral and multilateral programs, and deal with expanding international cooperation efforts driven by escalating R&D costs. Develop negotiating and implementation strategies for international cooperative efforts in order to gain maximum benefits for the U.S.; strengthen planning for cooperation, evaluating costs and benefits of specific efforts.

- Investigate long-term oil market issues such as the long-term security implications of OPEC investments in downstream oil facilities; long-term supply demand forecasts and their implications for international energy policy development (consistent with the NSDD-9 Directive); the oil policies and regimes of individual OPEC decisionmakers in order to better assess future OPEC policy developments and conflicts.

- Analyze international coal and nuclear market trends and outlook particularly in regard to their implications for U.S. coal and nuclear trade prospects.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
POLICY AND MANAGEMENT - IE
DEPARTMENTAL ADMINISTRATION
(Tabular Dollars in Thousands, Narrative Material in Whole Dollars)

Policy & Management - IE	FY 1985 Appropriation	FY 1986 Adjusted Appropriation	FY 1987 Base	FY 1987 Request	Request vs Base
Departmental Administration Operating Expenses. . . .	$590	$708	$710	$710	$2
Staffing Total FTE's: Direct.	11 1/	12	12	12	$0

Authorization: P.L. 95-91

1/ Reflects actual FTE's consumed in FY 1985.

SUMMARY OF CHANGES
Policy and Management - IE

FY 1986 enacted appropriation	$708
Built in increases and decreases:	
° Increase for merit pay and within grades	+ 2
FY 1986 base	$710
Programmatic increases and decreases:	
° None	
FY 1987 budget request	$710

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
NARRATIVE JUSTIFICATION

POLICY AND MANAGEMENT - IE

The purpose of the Policy and Management decision unit it to provide executive direction, management assistance and administrative support to all programs of the Office of the Assistant Secretary for International Affairs and Energy Emergencies (IE). The resources requested in this decision unit support the immediate office of the Assistant Secretary, including the Management Services Staff.

The Assistant Secretary for International Affairs and Energy Emergencies is the principal advisor to the Secretary of Energy for developing international energy policy; analyzing, assessing and monitoring domestic and world energy markets and technological developments; assessing energy supply vulnerability and the international implications of U.S. contingency plans; developing emergency preparedness and contingency planning measures; developing, negotiating and assessing U.S. international nuclear policies, and maintaining relationships with foreign governments and international energy organizations. Principal activities include developing and analyzing policy issues, monitoring programs and developments, preparing for Congressional hearings and public appearances, and coordination of issues and activities with senior management in DOE, with OMB, the White House, the State Department and other agencies, and liaison with the Congress.

The Management Services Staff provides planning, budget preparation and execution, procurement and contracts administration, and financial management. It also performs management analyses, correspondence control, administration of personnel and training matters, and coordination of general administrative services activities which cut across organizational lines.

Fiscal Year 1985 accomplishments include:

- Advised and supported the Secretary and other senior DOE officials on matters relating to international affairs and emergency preparedness activities.

- Executed a comprehensive financial reporting system to include all procurement, travel, payroll, and FTE usage.

- Provided administrative and personnel support for approximately 150 employees.

- Prepared and coordinated functional realignments, staffing analyses, and reorganizational documents for the Office of International Affairs and Energy Emergencies, which resulted in elimination of organizational layers, cost savings, and more efficient utilization of staff. (The resulting reorganizations were designed to implement activities in the areas of international energy analysis, energy emergency policy and evaluation activities, and increased emphasis on nuclear nonproliferation responsibilities.)

- Performed preliminary reviews of a number of adjunct areas, including correspondence control, adherence to Departmental security requirements, and administrative services needs.

Specific objectives for FY 1986 and 1987 include:

- Provide executive direction to the programs.
- Advise and support senior officials on the needs, actions and priorities for the programs supported.
- Direct and coordinate budget formulation and execution activities.
- Conduct evaluations on program effectiveness and efficiency.
- Enhance the quality of responsiveness to the Secretary, other senior officials, Congress, and the public.
- Complete internal analysis and review of functional assignments.

Accomplishment of these objectives will provide for the orderly, timely and efficient achievement of program goals and objectives resulting in increased program effectiveness for IE's international affairs and energy emergencies programs.

FY 1987 Request $710,000

The request for this unit includes 12 full-time equivalent positions. Funds requested are for salaries, benefits and travel as well as $100,000 for contractual support. Contractual support includes management information system maintenance, support services for administrative improvements and word processing maintenance and upgrading. This staffing level is sufficient to sustain the work load projected for FY 1987. All program activities supported by this decision unit are expected to remain the same as FY 1986 or increase. Activities which must be continued include basic executive direction and administrative support for major IE program elements to achieve their program goals and objectives. Functions that must be carried out with these staff years include:

- Preparation of periodic reports and analyses of IE expenditures.
- Implement a program of internal control systems with respect to expenditures and receipts (with recommendations to ASIE if required).
- Analysis and coordination of IE procurement activities.
- Analysis of personnel management issues and ceiling control procedures.

- Effective and timely response to Federal Register requirements, GAO and Congressional inquiries, and crosscutting DOE activities.

These staff-year resources are adequate to assure the minimum management support provided to IE operating programs. This level assumes greater utilization of staff through on-the-job training, while maintaining essentially the same staffing levels as requested in FY 1986. It is important to note the following additional work is expected:

- Greater interface and response with GAO, IG, and other audit groups as management improvements are implemented.

- Greater scrutiny to procurement activities and agreements with elements within DOE such as the laboratories and field offices, and international organizations such as the International Atomic Energy Agency, the Department of State, and the Agency for International Development.

- Overall program direction to insure efficiencies are built in to our programs and results are achieved.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW

COST OF WORK FOR OTHERS

The Department's FY 1987 Budget Request for Cost of Work for Others Program is $115,050,000. This represents the current estimates of the costs to be incurred to provide non-DOE customers with products and services. The Cost of Work for Others Program provides funding to the Department of Energy's multi-purpose operations offices and national laboratories to finance the cost of work products and services requested by non-DOE customers, both foreign and domestic. The products and services provided by the Department under this program generally are not available from alternate sources. Examples of such items include special reactor materials, isotopes, irradiation and test reactor services, and special testing activities at the Nevada Test Site. Products like radioisotopes that are supplied through this program are essential in medical research. The costs of the Cost of Work for Others Program is offset by revenues received from the sale of products and services to our customers.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
COST OF WORK FOR OTHERS
DEPARTMENTAL ADMINISTRATION

(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1985 Appropriation	FY 1986 Adjusted	FY 1987 Base	FY 1987 Request	Request vs. Base
Cost of Work for Others:					
--Cost of Products Sold Operating Expenses.........	$ 24,987	$ 45,726	$ 20,618	$ 20,618	$ ---
--Cost of Services Provided Operating Expenses.........	90,717	97,817	94,432	94,432	---
Total, Cost of Work for Others..................	$115,704	$143,543	$115,050	115,050	$ ---

Authorization: Section 161, P.L. 83-703

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF CHANGES
COST OF WORK FOR OTHERS
DEPARTMENTAL ADMINISTRATION

(Tabular dollars in thousands. Narrative material in whole dollars.)

FY 1986			$143,543
Cost of Products:			
o Sales of Heavy Water for commercial users at Savannah River Operations Office		-65	
o Decrease cost for radioisotopes ($17,000) and stable isotopes ($1,680,000) at Oak Ridge National Lab		-1,697	
o Decrease cost for stable isotopes at the Mound Plant Facility for Albuquerque Operations Office		-188	
o Miscellaneous:			
- Decrease of foreign sales and special materials to support the United Kingdom Production Program for the Trident System at Albuquerque Operations Office. The funding for this UK program was switched from CWO to Reimbursable	-23,766		
- Increase timber sales at Savannah River Operations Office	+607		
- Cancellation of mercury sales to GSA at Oak Ridge Operations Office	-172		
- Increase in the cost of miscellaneous isotopes at Oak Ridge National Lab	+171		
- Increase costs of handling charges	+5	-23,158	-25,108
Cost of Services Performed:			
o Decrease in the Use of DOE-owned Facilities and Equipment		-181	
o Decrease in Irradiation & Test Reactor Experiments		-872	
o Decrease in Security Investigations		-5	
o Decrease in Special Services & Fabrication		-466	
o Decrease in the Research for Protection of Public Health and Safety		-2,542	
o Miscellaneous:			
- Increase in the United Kingdom program at the Albuquerque Operations Office	+2,261		
- Increase in research projects for Brookhaven National Lab	+389		
- Increase at Idaho Operations Ofc for Geothermal Geopressure contract, EPRI - Electric Vehicle, MHD - Various contractors	+1,909		
- Increase in activities at the Nevada Operations Office	+16,181		
- Decrease in various service contracts at Oak Ridge National Lab	-1,991		

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF CHANGES
COST OF WORK FOR OTHERS
DEPARTMENTAL ADMINISTRATION

(Tabular dollars in thousands. Narrative material in whole dollars.)

- Changes at Oak Ridge Operations Office:			
1) Decrease in grant studies for Oak Ridge Associated Universities..........	-813		
2) Increase in furnishing treated water to City of Oak Ridge..................	+153		
3) Miscellaneous.........................	+27		
- Increase of various R&D contracts with Westinghouse at Richland Operations Office....................................	+1,708		
- Increase for test evaluation and management support for Rockwell International at San Francisco Operations Office........	+111		
- Changes at Lawrence Berkeley Lab:			
1) Cancellation of research contract with National Institute of Health......	-9,814		
2) Increase with the University of California for Ten Meter Telescope.....	+1,585		
3) Decrease in research contract with Germany...............................	-92		
- Closeout of research contract for France and the United Kingdom at Lawrence Livermore Lab............................	-10,765		
- Decrease at Savannah River Operations for completion of EPRI contract..............	-168	+681	-3,385
Total, FY 1987 Budget Request......................................			$115,050

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
NARRATIVE JUSTIFICATION
COST OF WORK FOR OTHERS
DEPARTMENTAL ADMINISTRATION
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1986	FY 1987
Costs of Products Sold:		
o Nuclear Reactor Materials Represents Heavy Water sales at Savannah River Operations Office.	$ 63	$ -0-
o Radioisotopes Estimated cost for all radioisotopes including specified fission products and various by-products at Oak Ridge National Lab.	6,153	6,133
o Stable Isotopes Estimates cost of sales for all stable isotopes produced at Mound Plant Facility for Albuquerque and at the Oak Ridge National Laboratory.	4,390	2,522
o Miscellaneous Products	35,120	11,963
-- Cost of foreign sales of weapon components and special materials at Albuquerque Operations Office	(31,768)	(8,000)
-- Timber sales at the Savannah River Operations Office	(2,253)	(2,860)
-- Miscellaneous products at Oak Ridge National Lab.	(663)	(834)
-- Costs associated with the sale of excess mercury at Oak Ridge Operations Office	(173)	(-0-)
-- Handling charges in conjunction with the sales from isotopes	(263)	(269)
Subtotal, Products Sold	$ 45,726	$20,618
Costs of Services Provided:		
o Use of DOE Facilities Cost to lease Government-owned technical equipment, such as spectrometers, and computers, and use of facilities for energy research activities.	$ 3,331	$ 3,150
o Irradiation Services and Test Reactor Experiments Cost of irradiation services DOE performed in DOE-owned facilities for non-DOE users including special processing and handling of radioactive materials.	2,267	1,395

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
NARRATIVE JUSTIFICATION
COST OF WORK FOR OTHERS
DEPARTMENTAL ADMINISTRATION
(Tabular dollars in thousands. Narrative material in whole dollars)

	FY 1986	FY 1987
o Special Services and Fabrications Cost of performing technical services for non-DOE users such as special research and development studies and treating municipal water supplies near DOE facilities.	$ 1,041	$ 575
o Research for Protection of Public Health and Safety Cost of reimbursed technical assistance related to public health and safety activities involving special studies, R&D, and training for handling radioactive materials.	10,642	8,100
o Miscellaneous Services	80,536	81,212
-- Includes services to foreign government with $5,000,000 towards the Hot Dry Rock ($2,500,000 for Japan and $2,500,000 for Germany) and new contract with Prudential-Bache ($2,400,000) at Albuquerque Operations Office	(6,739)	(9,000)
-- Various research projects for Brookhaven National Lab	(4,611)	(5,000)
-- Includes funding for three new contracts (Geothermal, EPRI, and MHD) at Idaho Operations	(96)	(2,000)
-- Construction, execution, post-shot drilling activities, engineering, design and technical studies, and analysis of nuclear tests at Nevada Operations Office	(28,206)	(44,387)
-- Special preparation, protection, and shipping of heavy elements at Oak Ridge National Lab	(8,024)	(6,033)
-- Various studies performed by Oak Ridge Assoc. Universities and treated water furnished to city of Oak Ridge	(2,530)	(1,897)
-- Various R&D contracts with Westinghouse and service contracts with Hanford at Richland Operations Office	(2,919)	(4,627)
-- Experimental and development programs and technical support to non-DOE R&D activities at San Francisco Operations Office	(289)	(400)
-- R&D contracts at Lawrence Berkeley Laboratory	(14,921)	(6,600)
-- Various R&D contracts at Lawrence Livermore Lab	(12,033)	(1,268)
-- Other miscellaneous	(168)	(-0-)
Subtotal, Services Provided	$ 97,817	$ 94,432
TOTAL, COST OF WORK FOR OTHERS	$143,543	$115,050

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
PROGRAM OVERVIEW

REVENUES

This represents the current estimate of the revenues received in FY 1987 from the sale of products and services. The Department's FY 1987 budget estimate of $251,947,000 represents the estimated revenues to be received based on performing a $115,050,000 Cost of Work for Others Program and from $108,519,000 in other revenues not associated with Cost of Work for Others. Revenues of $143,428,000 offset the $115,050,000 in the Cost of Work for Others program associated with supplying products and services to our customers. In addition to the revenues received that are directly related to the Cost of Work for Others program, other revenues of $108,519,000 are received from the sale of by-products that have no costs associated with the Departmental Administration appropriation. These items are incidential by-products of activities funded from other Departmental programs, such as the sale of steam to WPPSS, which is a by-product of operating a Nuclear Reactor funded by the Materials Production program and the sales from the reprocessing irradiated fuel to the Navy Department, which is a by-product of operating the Idaho Chemical Processing Plant funded by the Nuclear Materials Production program.

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
LEAD TABLE
REVENUES
DEPARTMENTAL ADMINISTRATION

(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1985 Appropriation	FY 1986 Adjusted	FY 1987 Base	FY 1987 Request	Request vs. Base
Revenues Associated with Cost of Work:					
--Products Sold Operating Expenses.........	$ 28,148	$ 51,974	$ 25,463	$ 25,463	$ ---
--Services Provided Operating Expenses.........	100,003	109,769	117,965	117,965	---
Subtotal, Revenues Operating Expenses........	$128,151	$161,743	$143,428	$143,428	$ ---
Miscellaneous Revenues Not Associated with Cost of Work:					
--Operating Expenses.........	91,308	82,485	108,519	108,519	$ ---
Total, Revenues.............	$219,459	$244,228	$251,947	$251,947	$ ---

Authorization: Section 161, P.L. 83-703

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF CHANGES
REVENUES
DEPARTMENTAL ADMINISTRATION

(Tabular dollars in thousands. Narrative material in whole dollars.)

FY 1986			$244,228
Revenues Associated with Cost of Work:			
Revenues from Products:			
o Sales of Heavy Water for commercial users at Savannah River Operations Office		-100	
o Increase cost for radioisotopes ($660,000) and decrease for stable isotopes ($1,856,000) at Oak Ridge National Lab		-1,365	
o Increase cost for stable isotopes at the Mound Plant Facility for Albuquerque Operations Office		+299	
o Miscellaneous:			
- Decrease of foreign sales and special materials to support the United Kingdom Production Program for the Trident System at Albuquerque Operations Office. The funding for this UK program was switched from CWO to reimbursable	-25,511		
- Increase timber sales at Savannah River Operations Office	+150		
- Cancellation of mercury sales to GSA at Oak Ridge Operations Office	-180		
- Increase of miscellaneous isotopes at Oak Ridge National Lab	+125		
- Increase costs of handling charges	+71	-25,345	-26,511
Revenues from Services Performed:			
o Increase in the Use of DOE-owned Facilities and Equipment		+3,185	
o Decrease in Irradiation & Test Reactor Experiments		-590	
o Decrease in Security Investigations		-3	
o Decrease in Special Services & Fabrication		-231	
o Decrease in the Research for Protection of Public Health and Safety		-2,145	
o Miscellaneous:			
- Increase in the United Kingdom program at the Albuquerque Operations Office	+3,218		
- Increase in research projects previously funded under accounts receivable for Brookhaven National Lab	+715		
- Increase at Idaho Operations Office for Geothermal Geopressure contract, EPRI - Electric Vehicle, MHD - Various contractors	+1,570		

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF CHANGES
REVENUES
DEPARTMENTAL ADMINISTRATION

(Tabular dollars in thousands. Narrative material in whole dollars.)

- Increase activities at the Nevada Operations Office.........................	+21,762		
- Decrease in various service contracts at Oak Ridge National Lab....................	-1,740		
- Changes at Oak Ridge Operations Office:			
1) Decrease in grant studies for Oak Ridge Assoc. Universities..............	-794		
2) Increase in furnishing treated water to City of Oak Ridge..................	+236		
3) Miscellaneous.........................	+90		
- Increase of various R&D contracts with Westinghouse at Richland Operations Office..................................	+2,121		
- Increase for test evaluation and management support for Rockwell International at San Francisco Operations Office........	+90		
- Changes at Lawrence Berkeley Lab:			
1) Cancellation of research contract with National Institute of Health...........	-9,874		
2) Increase with University of California for Ten Meter Telescope................	+1,888		
3) Decrease in research contract with Germany................................	-87		
4) Increase in research contract with EPRI.................................	+60		
- Closeout of research contract for France and the United Kingdom at Lawrence Livermore National Laboratory...........	-11,105		
- Decrease at Savannah River Operations for completion of EPRI contract.............	-170	+7,980	+8,196

Miscellaneous Revenues Not Associated With Cost of Work:

o Increase in the Sale of Nuclear Reactor Steam.........	+12,800	
o Increase in Recovery of Nuclear Materials.............	+11,700	
o Increase in the Sale of Nuclear Materials.............	+1,372	
o Increase in Other Miscellaneous Revenues..............	+162	+26,034

Total, FY 1987 Budget Request..	$251,947

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
NARRATIVE JUSTIFICATION
REVENUES
DEPARTMENTAL ADMINISTRATION
(Tabular dollars in thousands. Narrative material in whole dollars.)

Revenues from Products Sold:	FY 1986	FY 1987
o Nuclear Reactor Materials Represents Heavy Water sales at Savannah River Operations Office.	$ 100	$ -0-
o Radioisotopes Estimated cost for all radioisotopes including specified fission products and various by-products at Oak Ridge National Lab.	7,033	7,693
o Stable Isotopes Estimates cost of sales for all stable isotopes produced at Mound Plant Facility for Albuquerque and at the Oak Ridge National Laboratory.	5,379	3,821
o Miscellaneous Products	39,462	13,949
-- Cost of foreign sales of weapon components and special materials at Albuquerque Operations Office	(36,900)	(11,220)
-- Timber sales at the Savannah River Operations Office	(1,280)	(1,430)
-- Miscellaneous products at Oak Ridge National Lab.	(835)	(961)
-- Costs associated with the sale of excess mercury at Oak Ridge Operations Office	(180)	-0-
-- Handling charges in conjunction with the sales from isotopes	(267)	(338)
Subtotal, Products Sold	$ 51,974	$25,463
Revenues from Services Provided:		
o Use of DOE Facilities Cost to lease Government-owned technical equipment, such as spectrometers, and computers, and use of facilities for energy research activities.	$ 3,085	$ 6,270
o Irradiation Services and Test Reactor Experiments Cost of irradiation services DOE performed in DOE-owned facilities for non-DOE users including special processing and handling of radioactive materials.	$ 2,070	$ 1,480

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
NARRATIVE JUSTIFICATION
REVENUES
DEPARTMENTAL ADMINISTRATION
(Tabular dollars in thousands. Narrative material in whole dollars)

	FY 1986	FY 1987
o Special Services and Fabrications.................... Cost of performing technical services for non-DOE users such as special research and development studies and treating municipal water supplies near DOE facilities.	$ 919	$ 688
o Research for Protection of Public Health and Safety.. Cost of reimbursed technical assistance related to public health and safety activities involving special studies, R&D, and training for handling radioactive materials.	11,055	8,910
o Miscellaneous Services..............................	92,660	100,617
-- Services to foreign government with $5,000,000 towards the Hot Dry Rock ($2,500,000 for Japan and $2,500,000 for Germany) and new contract with Prudential-Bache ($2,400,000) at Albuquerque Operations Office................................	(7,100)	(10,318)
-- Various research projects for Brookhaven National Lab....................................	(4,785)	(5,500)
-- Includes funding for three new contracts (Geothermal, EPRI and MHD) at Idaho Operations....	(100)	(1,650)
-- Construction, execution, post-shot drilling activities, engineering, design and technical studies, and analysis of nuclear test at Nevada Operations Office.........................	(37,010)	(58,772)
-- Special preparation, protection, and shipping of heavy elements at Oak Ridge National Lab.......	(8,695)	(6,955)
-- Various studies performed by Oak Ridge Associated Universities and treated water furnished to City of Oak Ridge....................................	(2,751)	(2,283)
-- Various R&D contracts with Westinghouse and decontamination services at Richland Operations Office...............................	(3,690)	(5,810)
-- Experimental and development programs and technical support to non-DOE R&D activities at San Francisco Operations Office..................	(330)	(440)
-- R&D contracts at Lawrence Berkeley Laboratory.....	(15,500)	(7,488)
-- Various R&D contracts at Lawrence Livermore Lab...	(12,500)	(1,395)
-- Other miscellaneous	(179)	(6)
Subtotal, Services Provided...........................	$109,769	$117,965
Subtotal, Revenues....................................	$161,743	$143,428

DEPARTMENT OF ENERGY
FY 1987 CONGRESSIONAL BUDGET REQUEST
NARRATIVE JUSTIFICATION
REVENUES
DEPARTMENTAL ADMINISTRATION
(Tabular dollars in thousands. Narrative material in whole dollars.)

Revenues Not Associated with Cost of Work:	FY 1986	FY 1987
Defense Programs		
o Sale of N-Reactor Steam:		
- Richland Operations Office........	$ 51,200	$ 64,000
o Recovery of Nuclear Material:		
- Idaho Operations Office...........	19,100	30,800
- Savannah River Operations Office..	3,500	3,500
o Sale of Nuclear Material:		
- Oak Ridge National Lab............	205	200
- Savannah River Operations Office..	500	---
- Pittsburgh Naval Reactor..........	7,300	8,677
o Sale of Timber:		
- Oak Ridge National Lab............	95	120
Subtotal, Defense Programs........	$ 81,900	$107,297
Nuclear Programs		
o Lease of Uranium Bearing Land:		
- Idaho Operations Office...........	$ 175	$ 165
o Lease of Materials:		
- Oak Ridge Operations Office.......	51	50
- Oak Ridge National Lab............	7	635
Subtotal, Nuclear Products........	$ 233	$ 850
Miscellaneous		
o Oak Ridge Operations Office.........	$ 20	$ 70
o Oak Ridge National Lab:		
- Isotope Containers................	70	75
- Atomic Data Centers...............	12	12
- Interest on Delinquent Accounts...	50	50
o Richland Operations Office:		
- Miscellaneous Services for WPPSS..	80	80
- Vending Machine Sales.............	10	10
o Nevada Operations Office:		
- Vending Machine Sales.............	10	10
o Albuquerque Operations Office.......	---	---
o Savannah River Operations Office:		
- Use Charges, Deer Hunts...........	100	65
Subtotal, Miscellaneous...........	$ 352	$ 372
Total, Revenues Not Associated With Cost of Work......................	$ 82,485	$108,519
TOTAL, REVENUES.......................	$244,228	$251,947